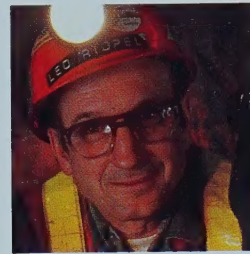


AR52

1984
Annual
Report



People

Building



Value



HIGHLIGHTS

	1984	1983
	(millions except share amounts)	
Revenue	\$4,180.9	\$3,834.7
Net income (loss)	81.1	(45.0)
Net income (loss) per common share	0.98	(2.41)
Cash flow before financing charges	\$ 997.3	\$ 755.2
Free cash flow	319.9	161.3
Free cash flow per common share	8.84	4.54
Working capital	\$ 422.6	\$ 554.4
Total assets	7,648.9	7,558.6
Long-term debt	4,271.1	4,448.9
Shareholders' equity	1,190.1	1,151.7

Other Annual Reports

Some CDC companies produce annual reports that describe their operations in greater detail. If you would like to receive a free copy of annual reports produced by Canterra Energy, Kidd Creek Mines, Polysar, Savin or CDC Life Sciences, please write to J. Patrick Howe, CDC's Director of Public Affairs and Communications.

Executive Office

CDC's management team, including its shareholder services department, is located at:

Suite 200
444 Yonge Street
Toronto, Ontario
M5B 2H4

All correspondence should be forwarded to this address.

Version Française

Pour obtenir la version française du présent rapport, prière d'écrire au directeur-général affaires publiques et communications, Corporation de développement du Canada.

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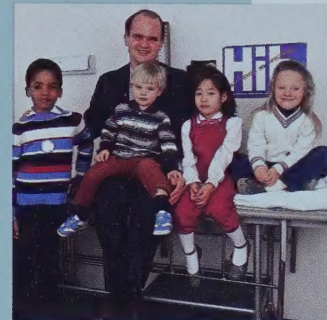
PEOPLE BUILDING VALUE

Today, Canada Development Corporation is a large enterprise—one of the top ten in Canada in terms of assets. We employ about 18,000 people in our companies which are active in petroleum and sulphur, mining, petrochemicals, office information products, life sciences and industrial automation. Our largest single shareholder is the federal government which holds 47% of our voting power but has announced its intention to sell its holdings. About 35,000 Canadians hold CDC's remaining voting equity, having invested their savings in an enterprise that operates totally within the private sector. CDC's four classes of shares trade on most Canadian stock exchanges.

Our role at CDC is to start, or buy, companies and encourage them to be farsighted, innovative and entrepreneurial in the way they manage their affairs. Our role is not played by intervening in the day-to-day operations of our companies, but in making sure that they have a culture, a policy climate and an approach to business in which growth can flourish. We try to be a source of stimulus rather than a centre of constraint. A management holding company can only add value if it is dynamic and willing to take chances, and actively promotes change.

Being a success—building profitable operations, creating lasting value and providing meaningful opportunities for people—requires creativity, energy, the willingness to take risks and an appropriate amount of patience. These traits must flourish at all levels of an organization if it is to prosper. Too often, not enough credit for the success of a business—particularly in a large company—is given to the people down in the organization who, year after year, contribute hard work, innovative ideas, enthusiasm and loyalty.

This annual report will tell about what was generally a good year for most of our companies and the optimism that we, and they, have about the future. It will also tell you about some of the dynamic individuals in CDC companies who are active agents of change in this growth-oriented enterprise. We are proud of these people, who we think best exemplify what CDC is about: people building value through innovation and enterprise. There are too many of them for each to be included in these few pages—but they are all doing their part to make our future one to watch.

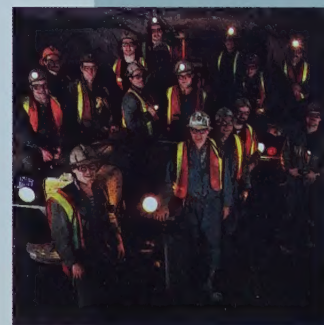


DR. LANCE GORDON

Haemophilus influenzae bacteria is a frequent cause of serious infections, especially in infants and pre-school-age children where it can produce meningitis, often causing brain damage and retardation. An immunologist, Dr. Gordon has been successful in producing an enhanced vaccine which has proven substantially more effective in clinical tests than previous meningitis vaccines.

THE DON DAVIS CREW

An underground production crew from Kidd Creek led by Don Davis reached a safety milestone in the Ontario mining industry: it worked 500,000 hours—or 12 years—without a lost-time accident. Safety statistics assembled by Kidd Creek for the mining industry found that 500,000 safe working hours is without precedent for an underground crew in Ontario and may even be a record for Canada.



INVESTMENTS

MINING

**KIDD CREEK
MINES LTD.**
100%



PETROLEUM AND SULPHUR

**CANTERRA
ENERGY LTD.**
100%



PETROCHEMICALS

**POLYSAR
PETROCHEMICALS**
100%

**Polysar
Limited**
100%

**Petrosar
Limited**
60%



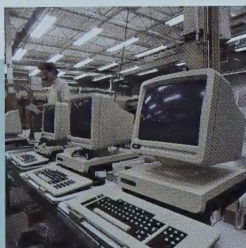
OFFICE INFORMATION PRODUCTS

**CDC DATA
SYSTEMS
LIMITED**
100%

**Savin
Corporation**
65%

AES Data Inc.
100%

Insystec Inc.
100%



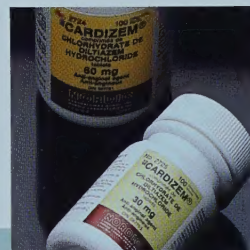
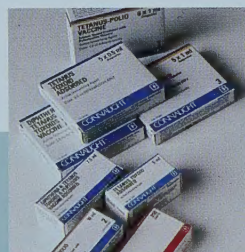
LIFE SCIENCES

**CDC LIFE
SCIENCES INC.**
66.8%

**Connaught
Laboratories
Limited**
100%

**Bio-Research
Laboratories Ltd.**
100%

**Nordic
Laboratories Inc.**
35.4%



ALLELIX INC.
50%



INDUSTRIAL AUTOMATION

**SENTROL
SYSTEMS LTD.**
100%



OTHER INVESTMENTS

**CDC
VENTURES
LTD.**
100%



**Onex Capital
Corporation**
19.4%

**AVF
Investments
Ltd.**
13%

**Atlantis
Corporation
Limited**
35%

Innocan Inc.
10%

TO OUR SHAREHOLDERS:

The past year was one of significant accomplishment for CDC. We returned to our normal pattern of profitable operations: net income increased to \$81.1 million after the loss of \$45.0 million in 1983. Once again, we reduced our consolidated long-term indebtedness—by \$178 million, or 4% of the total outstanding at the beginning of the period. All CDC companies strengthened their operations—more from the marketing, productivity and cost-cutting programs than from price increases for their products. And, as the examples throughout this report will testify, these operating improvements were devised and carried out by skilled and imaginative people at all levels of the organization.

The improvement in our free cash flow was even greater than our gain in profitability and, along with funds from asset sales, provided us with all our capital requirements during the year. Free cash flow—the amount available for capital expenditures and debt repayments after all financing charges and capitalized expenses

—nearly doubled to \$319.9 million during 1984 from \$161.3 million a year ago. Sales of assets—Wordplex Information Systems plc, Delphax Systems and a minority interest in CDC Life Sciences—yielded \$49.5 million after tax during the year, bringing to almost \$200 million the amount we have raised in this manner during the past two years.

The very successful offering of a 33.2% interest in CDC Life Sciences during 1984 demonstrated how CDC is adding value to its investments: the market price as we write this report represented a premium of about two times its carrying value on our books. In future, we will sell shares in other companies to raise additional equity for the Corporation, meet our overriding goal of enhancing the value of our shareholders' investment, and create additional strong and truly free-standing Canadian enterprises.

The past year further demonstrated the ability of our companies to be profitable, low-cost and strong competitors in world markets. We still have plenty of scope to expand our existing businesses in relatively low-cost ways, by using existing—and by creating economic new—capacity through a combination of imaginative ideas and physical investments. Thus, our capital expenditure program, totalling \$331.0 million during 1984, was directed mainly to those projects with relatively fast paybacks through improved efficiency and lower costs. However, we also took advantage of profitable longer-term opportunities, while Canterra continued its productive exploration and capital program, ending the year with a net increase in Canadian oil resources. In addition to these continued investments, we spent \$70.5 million on research and



**BRENDA CURTIS—
BILL RENNIE**

Canterra has been one of many explorers looking for new oil resources in Northern Alberta. Brenda Curtis and Bill Rennie are members of Canterra's Western Canada exploration team, who have been involved in interpreting technical information and identifying the best prospects for drilling wells.

KEN SHEPHERD

While on a special assignment to Polysar's Antwerp rubber plant, Ken Shepherd suggested a modification to the halobutyl rubber finishing lines that increased annual production by 10,000 tonnes. Along with other modifications at Antwerp, Ken's work has resulted in an increased contribution of \$14 million.





JOE PARKE

Joe found a way to reduce production costs when Petrosar's vacuum distillation unit is operating at low rates. His suggestion of installing a bypass valve in a section of the unit cost \$75,000 but will save an average of \$120,000 each year.

BRIAN JOHNSTON

How do you increase the capacity of a zinc plant without a costly building expansion, adding additional staff and disrupting production? Brian Johnston (centre)—along with two co-workers, Fern Clement (left) and Phil Lehoux—found a way to add 43 new cells for producing electrolytic zinc by putting them at the end of existing rows of cells. The result—now completed—is a 7% increase in the capacity of Kidd Creek's zinc plant at a cost of about \$2 million and with no labor increase. Incidentally, the expansion currently yields a net increase in annual revenue of \$3 million.



development programs. We believe that all CDC companies now have a culture that values the new ideas, products and processes needed to improve profitability in a world of rapid change.

Operations: The details of the operations of each CDC company can be found throughout this report. With the exception of Petrosar, our resource companies improved their performances despite the continuation of low commodity prices: sulphur, whose value almost doubled, was the major exception to this disinflationary trend. Canterra's continued strong performance and capable management team—its free cash flow increased by more than one-third over 1983—is being increasingly recognized as a major force in the Canadian energy industry. Kidd Creek—one of the few base-metals mining companies in North America to operate profitably during 1984—has been able to expand the capacity of its mining and metallurgical operations with minimal capital outlays, and increased its revenue by more than 14%. Polysar's rubber and latex businesses, both of which have strong worldwide market positions, showed strong gains as the company again demonstrated that it can add value to its products by developing technical improvements and new applications. Petrosar, while improving its energy efficiency and lowering its costs, developed a plan to restructure its operations that will broaden its flexibility and make it profitable again once it obtains access to feedstocks at deregulated prices.

In the data systems group, our disposals of Wordplex and Delphax, along with much improved operations at AES Data and Savin, greatly reduced the loss for 1984. AES Data was restored to profitability in the last quarter of the year, and introduced a number of products that are being widely accepted

by its customers, making it once again a leader in the office automation industry. While Savin did not operate profitably during 1984, it reduced its costs on an annual basis by more than \$60 million, strengthened its management, enhanced its product line, and obtained significant advance royalties for its patented imaging technology from a number of well-known companies for uses it does not plan to exploit.

Connaught, Bio-Research and Nordic—the three investments of CDC Life Sciences, which is now owned 66.8% by CDC—each achieved record revenues and profits, while Allelix developed its first commercial product for the market. Sentrol, our industrial automation company, had a profitable year, reflecting more focused operations and the recovery of capital spending in its main markets.

Financing: Despite increases in our business volume, continued careful asset management further reduced working capital requirements during the past year. The equity financing at CDC Life Sciences raised in excess of \$37 million which, along with the cash generated from operations and dispositions, was used to pay down the group's debt. New term bank facilities have been put in place at AES Data and Kidd Creek Mines. The latter—completed in

early 1985—is a \$500 million (U.S.) 10-year term facility which—together with an operating line of \$50 million (U.S.)—permits Kidd Creek to repay its intercompany indebtedness to CDC. As a consequence of these financing activities, CDC has over \$1 billion of cash resources and unused bank lines, which are more than sufficient to handle all debt maturing during 1985 and 1986.

The Future: This year should see a continuation of reasonable growth and low inflation rates in North America. Canada's export sector should benefit from stronger growth outside the U.S. as well, but once again we do not expect the prices of commodities to increase significantly. It will still be a highly competitive and productivity-conscious world.

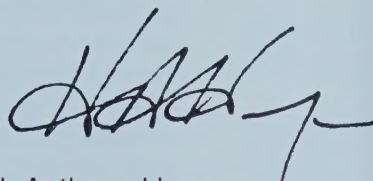
Happily, more and more Canadians are facing up to the reality that our country must compete in international markets and that our costs must be kept in line. The new federal government created a climate of cooperation and change, and has an important opportunity to build upon the new economic realism of Canadians by encouraging every industry to adapt to the different world in which we all now live. Every enterprise must itself take the often painful steps to reduce its costs and improve its competitive position. There is no other choice: deficits do not work and devaluations are the anaesthetic of failure—wearing off ever more quickly and revealing the steadily enfeebled condition of the patient. In recent years, Britain—and in the longer-term, Argentina—are only two of the more vivid examples of what happens when economies, and their currencies, are allowed to decline. As a debtor nation, and as one whose growth could be among the fastest in the world in coming years, Canada should not allow its currency to fall further. Instead, we must all focus on working together to build strong, efficient and more competitive enterprises.

While we regained our momentum during the past year, much remains to be done during 1985 to promote our three overriding goals: improving the earnings from our existing investments; lowering our indebtedness; and enhancing the returns to our shareholders. The underlying value of each CDC share has more than doubled in the last decade, a reflection of our purpose of building value for our shareholders and for all those who work with us. In achieving our goal of bringing about further substantial gains in shareholder values, our people will once more be our greatest strength and source of success. To them, on your behalf, we again express our heartfelt thanks.

Respectfully submitted on behalf of the Board.



Pierre Côté
Chairman of the Board



H. Anthony Hampson
President and Chief Executive Officer

March 21, 1985



DR. REID JILEK

As Bio-Research's Vice-President of Marketing for the past two years, Reid has developed an integrated approach between marketing and scientific management which has enabled the company to recruit more new customers than ever before. Bio-Research closed out 1984 with the largest ever forward order book. When not travelling, Reid can be found working at Bio-Research's offices all night, as he is one of those rare individuals who does not need much sleep.

ALICE CHEN

Alice Chen is Polysar's sales manager for China. From her office in Hong Kong, Alice negotiated several important sales of rubber to China during 1984. Through patient and persistent negotiations, she also obtained Chinese agreement to accept product in Polysar's preferred method of shipment—by container loads.



PETROLEUM AND SULPHUR

Canterra Energy Ltd.

Canterra, which is wholly owned by CDC, is the fourth largest Canadian-controlled oil and gas company in Canada. It is a major producer of crude oil, gas liquids and natural gas, as well as operating two heavy oil pilot projects, and is Canada's largest marketer of sulphur. Canterra is an aggressive explorer in Western Canada, particularly for sulphur, and is present in all major frontier areas. It is heavily involved off the Canadian East Coast where the earliest frontier production decisions are expected to be made. In the United States, it has extensive oil and gas properties and a coal-mining subsidiary.

During 1984, Canterra's superior financial, production and exploration performance enhanced its reputation for management excellence. Profit for 1984 was \$46.0 million, up from \$19.7 million in 1983, while free cash flow was \$187.1 million, up from \$137.3 million. An aggressive capital expenditure program—one of the largest among independent exploration companies—was financed from

Canterra Energy Proven Reserves December 31, 1984	Proven Reserves at Beginning of 1984	Additions	Proven Reserves at End of 1984
Western Canada			
Oil and Liquids ⁽¹⁾			
gross	16.174	1.614	17.788
net	11.845	1.416	13.261
Natural Gas ⁽²⁾			
gross	37.680	(0.403)	37.277
net	27.748	0.209	27.957
Sulphur ⁽³⁾			
gross	15.680	(1.405)	14.275
net	14.194	(1.325)	12.869
United States			
Oil and Gas Liquids			
gross	0.433	0.036	0.469
net	0.347	0.040	0.387
Natural Gas			
gross	1.267	0.006	1.273
net	0.910	(0.006)	0.904

(1) millions of cubic metres (2) billions of cubic metres (3) millions of tonnes

FRONTIER DRILLING GROUP

Canterra's frontier drilling group led by Bob Waymouth (centre), has given the company a solid image as a competent operator. During 1984, this group successfully drilled two wells—Port au Port and Beothuk—at costs that were well below budget. The Beothuk well was Canterra's first offshore-operated oil well, testing to a maximum flow rate of 1,432 cubic metres per day. Because of this group's competence, Canterra has several contract operatorship opportunities during 1985.



internal sources. Because of Canterra's progress and maturity, as well as growing interest from investors, CDC intends to sell a minority interest in the company to public shareholders when appropriate market conditions exist.

Exploration

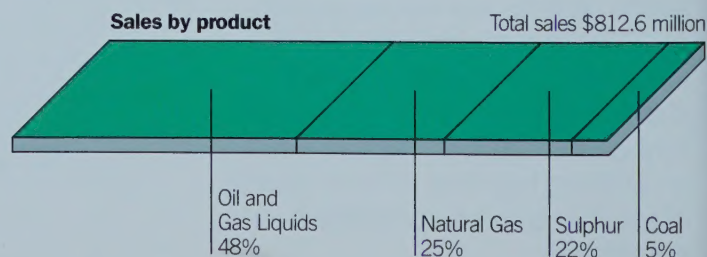
Canterra maintained its aggressive posture during the past year in exploring for new energy resources. The company spent \$189.5 million of which \$90.8 million was provided from Petroleum Incentive Payments. Of this total, 49% was spent in the Canadian frontier, 46% in Western Canada and 5% in the United States.

Western Canada: Since 1981, Canterra has been focusing its exploration efforts on oil plays due to their economic attractiveness relative to natural gas. This effort began to pay off in 1984 as 1.2 million cubic meters of new oil resources were established from exploration, the best oil-finding results achieved by Canterra and its predecessor companies in many years. Resource discoveries were concentrated in the Peace River Arch, Rainbow and Grande Prairie regions of Alberta, and the Clarilaw area of Saskatchewan.

In contrast, new gas resources added in 1984 declined to 1.3 million cubic metres. This decline results in part from delays in a number of planned drilling projects due to new Alberta government drilling regulations. Canterra is a world leader in high sulphur gas production technology and continues to work actively with regulatory authorities and citizen groups to minimize risks and concerns in the development of new wells of this type. New regulatory procedures are in place and gas exploration is expected to accelerate during 1985.

During 1984, Canterra participated in 149 (net 59.1) working interest exploratory tests resulting in 19 (net 3.54) gas wells, 58 (net 22.45) oil wells and 59 (net 25.73) abandonments with 13 wells drilling at year end. The success ratio for completed exploratory test wells was 56.6% compared to 52.1% in 1983.

Frontier: Canterra participated in 18 frontier exploration tests, of which 11 were located off the coasts of Newfoundland and Nova Scotia in accordance with the company's policy of concentrating investments in areas that allow for earlier production. While five wells were incomplete at year end, eight were dry and five were successful—four gas and one oil. On the Grand Banks, an oil discovery at Terra Nova was the most significant event. It led to the drilling of two delineation wells, one of which—located across a major fault—was dry, while the other—operated by Canterra—was completed in early 1985 and tested oil. On the Scotian Shelf, Canterra participated in two gas discoveries—Uniacke and Alma. Delineation drilling on the previous year's Glenelg gas discovery commenced; further delineation on the Alma discovery will begin during 1985. During the year, the company concluded three farm-in agreements: a two-well commit-



Canterra Energy Average Daily Production	1984		1983	
	After Royalty	Before Royalty	After Royalty	Before Royalty
Canada				
Oil and natural gas liquids (cubic metres)	3,398	4,746	3,323	5,003
Natural gas (thousands of cubic metres)	3,523	4,909	3,419	4,802
United States				
Oil and natural gas liquids (cubic metres)	309	375	363	444
Natural gas (thousands of cubic metres)	209	275	201	265

ment in the Flemish Pass area off the Newfoundland coast, a virtually untested basin; participation in an exploration program in the Northwest Territories near the Norman Wells oil field; and a participation in two Beaufort Sea wells to be completed in 1985.

Western Canada production

Oil and gas revenues increased during 1984, reflecting the company's exploration successes, improved well productivity and the successful implementation of an enhanced oil recovery (EOR) project at Rainbow Lake.

Oil and liquids: Natural production declines from older pools were partially offset by successful program of well workovers, new discoveries coming into production, and the Rainbow EOR project. However, liquids production before royalties declined 6% in 1984. Canterra expects to recover an additional 10.2 million cubic metres of oil before royalty from the Rainbow "B" pool over its remaining life and is investigating the feasibility of applying enhanced recovery techniques to other pools in the area. The proportion of Canterra's oil production eligible for the unregulated world price and lower royalties was 35% in 1984 compared to 21% in 1983.

Natural gas: Canterra's natural gas production before royalties increased 2% over 1983 levels to 4.9 million cubic metres per day. This improvement, together with an increase in the volume of royalty free gas sold and higher prices, combined to produce a 6% increase in revenue from natural gas sales over 1983. In addition, processing revenue derived from treating and handling other companies' production increased to \$24.4 million, up 9% from 1983.

Sulphur: Sulphur markets rebounded sharply in 1984 from the weak demand and oversupply conditions that prevailed in the 1982-83 period. Sulphur consumption exceeds production on a global basis and the major readily available supply to meet the resulting shortfall is Canadian inventory. As a consequence, with its considerable supply capability, Canterra was able to respond to this rising market with sulphur sales rising by 66% in 1984 to just over two million tonnes. Spot prices at Vancouver reached \$130 (U.S.) per tonne in the fourth quarter, a \$45 (U.S.) per tonne increase over a 12-month period. Firm markets and prices are expected throughout 1985.

Production capital spending: An active program of property development required capital spending of \$46.3 million in 1984 to improve production levels from maturing properties and to bring new properties on stream. The program to install wells and facilities for the Rainbow EOR program was the major oil-related expenditure. A major purchase of gas and oil reserves in the Okotoks area of Alberta was concluded and \$3.3 million was spent to place this field into production.

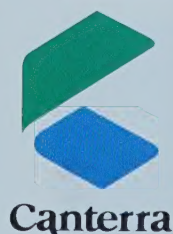
Heavy oil and tar sands: Canterra continued developing its two steam-driven pilot projects—one in the Athabasca region of northeastern Alberta and the other near North Battleford, Saskatchewan. The Athabasca pilot produced 8,600 cubic metres of bitumen in 1984, up 70% from 1983. Production at the North Battleford plant increased 32% to over 32,000 cubic metres of oil during 1984.

Commercial-scale plants with capacities of up to 1,600 cubic metres of daily production are feasible, providing present research efforts continue to show good success.

United States: The company's U.S. subsidiary, Canterra Petroleum Inc., spent \$19.3 million on exploration and development programs during 1984. This program resulted in an overall increase in company reserves, although oil production volumes declined 15%. Natural gas production was up 4% over 1983 despite the surplus that existed in the United States. The major reserve additions were from the North Deep Lake prospect on the Louisiana coast.

Shipments by Canterra's U.S. coal-mining operations increased 10% to 886,600 tonnes during 1984. Operating income declined in 1984 due to weak shipments and prices during the fourth quarter as a result of inventory building associated with a threatened industry-wide strike by mine workers which did not materialize.

Canterra Energy		1984	1983	1982
Financial Performance			(millions)	
Revenues (net)	\$	610.1	\$ 507.1	\$ 538.7
Contribution to CDC		46.0	19.7	(14.4)
Cash flow before interest . . .		466.6	375.7	361.0
Free cash flow		187.1	137.3	(2.7)
Capital spending				
—gross		246.6	326.3	337.9
—net		160.5	172.9	210.0
Total assets		3,290.9	3,132.6	3,019.4
Working capital		99.2	59.2	120.1



BEVERLY SHIELDS

Beverly works in Canterra's Land Department, which administers the company's exploration and production acreage in Western Canada. For the past three years, she has been working to develop a new, fully integrated automatic system using state-of-the-art computer technology. That system became operational during 1984, making Canterra a leader in land systems in Western Canada.



Kidd Creek Mines Ltd.

Kidd Creek Mines is one of Canada's premier integrated mining companies with a world-class copper-zinc-silver orebody and state-of-the-art metallurgical complex at Timmins in Northern Ontario. The company operates a gold mine at nearby Owl Creek and is developing a significant gold prospect at Hoyle Pond, adjacent to its metallurgical site. It has a 35% net profits interest in the Nanisivik lead-zinc mine on Baffin Island and owns 40% of the Allan Potash mine near Saskatoon, Saskatchewan.

The past year was one of continuing recovery for Kidd Creek. In 1984, the company emerged from the recession stronger and leaner. Revenue was \$543.1 million in 1984, a 14% increase over 1983. Free cash flow generated from operations totalled \$96.4 million, which represented a 58% increase over 1983 (after deducting income tax recoveries of \$74.5 million from the 1983 total). The company's \$16.9 million profit was in sharp contrast to losses of \$1.2 million in 1983 and \$37.3 million in 1982. The company paid off \$94.9 million in long-term debt during 1984, representing 12% of the total indebtedness outstanding at the beginning of the year.

Kidd Creek was one of the few base metals mining companies in North America to make a profit during 1984. That positive financial performance resulted from the company's strong emphasis on improving productivity and reducing its operating costs. As a result of this effort, Kidd Creek has been able to increase the output from its mining and metallurgical operations without major capital expenditures. Kidd Creek's unit cost of production is now significantly below what it was when the company was purchased by CDC in 1981.

Operations: The Kidd Creek mining complex consists of an underground mine with two shafts. The underground operations replaced an open-pit mine that went into production in 1966, two years after the discovery of the massive Kidd Creek orebody. The mine has an annual capacity to process 4.4 million tonnes of ore. At December

31, 1984, proven and probable reserves at the Kidd Creek mine were estimated at 67.6 million tonnes, grading 3.2% copper, 4.9% zinc and 67 grams of silver per tonne. Reserves have not been fully established at depth. However, known reserves will support mining operations for at least 16 years.

Kidd Creek's technologically advanced metallurgical complex is linked to the mine site by a company-owned railroad. An automated concentrator processes all the ore from the Kidd Creek mine into zinc, copper and silver-lead concentrates. An electrolytic zinc plant processes concentrates to produce zinc and cadmium. A \$6.0 million zinc plant expansion program, which was announced in 1984, will increase the capacity from the current 120,000 tonnes per year to 127,000 tonnes per year during 1985. The metallurgical site also includes one of the world's most technologically advanced copper smelters and electrolytic refineries. A \$60 million expansion program, announced in 1984, will increase the capacity of the copper smelter and refinery from 59,000 tonnes to 90,000 tonnes per year by 1988. This expansion program will increase production from the copper complex to 150% of original design capacity for less than a 20% incremental investment and will pay for itself in four years. It is tangible proof of Kidd Creek's determination to remain one of North America's lowest-cost suppliers of copper and zinc.

Marketing: The world demand for copper was a record 7.5 million tonnes in 1984, yet the price of copper — in real terms — was lower than at any time in this century except during the depths of the Depression. Zinc prices fell during the second half of 1984, gold hit a 2 1/2 year low, and silver prices dropped 30% over the year. During 1984, the company re-oriented its marketing strategy to increase copper and zinc sales in the United States, a move that significantly increased the net return it received on its production.

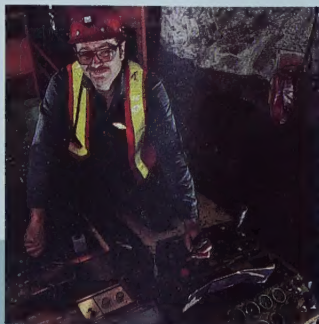
Kidd Creek Mines

Production	1984	1983	1982
Ore milled	4,513	4,154	4,321
Zinc concentrates*	211	178	161
Zinc metal	122	107	106
Copper concentrates*	30	—	—
Copper			
Kidd Creek	68	53	25
Tolled	37	37	42
Silver	271	197	167
Gold	773	780	778
Potash**	397	385	317
Sulphuric acid	414	336	323

All volumes in thousands of tonnes except silver, which is in tonnes and gold which is in kilograms. *produced for sale **Kidd Creek portion

GIL BABIN

Gil Babin, an underground mechanic, has given a new meaning to the term "do-it-yourself". It all came about when Kidd Creek decided to operate equipment to mine unsafe work areas by using remote control. A remote unit, costing \$25,000, was installed by an outside supplier. After weeks of unreliable operation, he felt the system was simply unsafe so he designed one that used materials readily available in



Kidd Creek's warehouse. Annual savings of \$45,000 per unit are the result of better machine availability, lower maintenance expenses and the lower initial cost—at \$13,800—of the system.

Kidd

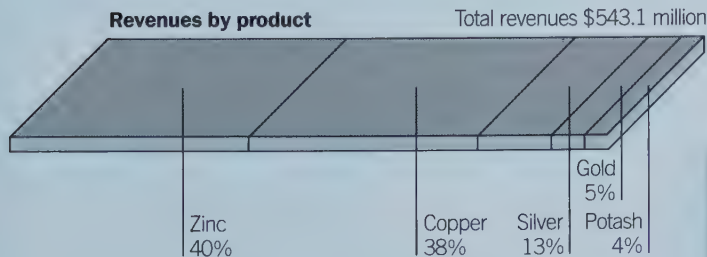
Kidd Creek Mines		1984	1983
Sales and Average Prices	Volume	Average Price**	Average Price**
Zinc—Metal (\$/lb.)	122	0.46	0.38
—Concentrates (\$/tonne) . .	206	274	238
Copper—Metal (\$/lb.)	113	0.63	0.72
—Concentrates (\$/tonne) . .	30	330	—
Silver (\$/oz.)	6,839	8.20	13.60
Gold (\$/oz.)	31,758	365	435
Potash (\$/tonne FOB mine)	352	50	49

*all volumes in thousands of tonnes, except silver which is thousands of ounces and gold which is ounces. **in U.S. currency.

Productivity: Productivity is an ongoing concern at Kidd Creek. The company's workforce has been reduced by more than 10% over the past three years while production levels have increased. During the past year, the copper smelter produced 68,000 tonnes of metal, 120% of its design capacity of 59,000 tonnes. In 1984, substantial gains were made in the productivity of the Kidd Creek mine through improved control of waste rock, resulting in higher grades of copper and zinc in the ore. A number of innovations resulted in savings that paid back their costs 20-fold during the year. The company also undertook an aggressive energy management program, emphasizing four projects that have the potential to cut its energy costs by more than half a million dollars a year when fully implemented. Underground, the company modified drilling equipment to increase output per machine while reducing manpower requirements. Mechanization of one type of production drill cut manpower requirements by nine people and improved productivity by more than 50%. In backfilling operations, the company is now using fly ash as a replacement for Portland cement, producing significant savings. Through all of this effort, Kidd Creek has maintained its enviable record for safety.

Gold mining: Production from the company's Owl Creek open-pit gold mine was 773,000 grams (24,800 oz.) of gold compared with 780,000 grams (25,000 oz.) in 1983. At December 31, 1984, proven and probable reserves were estimated at 725,000 tonnes, enough for at least four more years of production at anticipated production rates.

Potash: The Allan Potash mine produces various types of muriate of potash, a major component of commercial fertilizers. Kidd Creek's share of 1984 production was 397,000 tonnes, up from 385,000 tonnes a year ago.



Nanisivik mine: Kidd Creek has a 35% net profits royalty interest in the Nanisivik lead-zinc mine, located at Strathcona Sound near the northern tip of Baffin Island.

Exploration: The company spent \$9.5 million on exploration during 1984. Its 49-person exploration division undertook 52 projects across Canada searching for deposits of copper-zinc and silver, tin and tungsten and gold. Almost 60% of the exploration budget was spent in Ontario where the goal is to find new base metal deposits to augment the reserves of the Kidd Creek orebody, as well as gold. The company is also evaluating a number of tin-tungsten properties in Atlantic Canada, some of which are encouraging.

Development: In 1984, development work on Hoyle Pond, located near the metallurgical site, exposed 380 metres of a main gold bearing vein. The vein contains visible gold along almost all of its entire exposed length. Based on these encouraging results, the company will assess the prospects for putting the property into commercial production this year. In early 1985, the company announced an agreement with Echo Bay Mines Ltd. geared to bringing Kidd Creek's Izok Lake massive sulphide deposit in the Northwest Territories into production. The agreement is subject to a number of conditions over the next two years, including completion of a feasibility study, which will allow Echo Bay to earn an option to acquire a 50% interest in the Izok Lake deposit.

Kidd Creek Mines		1984	1983	1982
Financial Performance			(millions)	
Revenues (net)	\$	543.1	\$ 476.9	\$ 324.3
Contribution to CDC		16.9	(1.2)	(37.3)
Cash flow before interest . .		185.2	149.2*	53.3
Free cash flow		96.4	60.9*	(79.0)
Exploration		9.5	8.2	17.0
Capital expenditures		32.5	17.7	51.2
Total assets**		1,321.5	1,347.7	1,427.3
Working capital		92.0	129.5	10.0

*Excludes one-time income tax recoveries of \$74.5 million.

**Excludes sulphur and oil and gas assets



LEO RIOPEL AND HARVEY LEVERT

Leo and Harvey are drill mechanics in Kidd Creek's maintenance department. They designed and built a much-improved system for

separating the drill bit from its driving mechanism. Before, breaking the bit free from the driving mechanism—a chore that's necessary when the bit needs sharpening or replacing—took up to eight hours, and required acetylene torches and forty-eight inch pipe wrenches. The procedure was unsafe and often resulted in the destruction of the drill bit or parts of the driving mechanism. Leo and Harvey devised an hydraulic wrench and vise assembly. Now, a task that once took hours takes minutes, productivity is improved, the company saves up to \$4,000 each time the procedure has to be performed, and no one gets hurt.

PETROCHEMICALS

CDC owns 100% of Polysar Limited, the world's largest producer of synthetic rubber and latex, and a 60% interest in Petrosar Limited, a highly efficient manufacturer of a range of primary petrochemicals. Both companies are headquartered in Sarnia, Ontario. During 1984, CDC's petrochemical investments increased their contribution to \$29.0 million from \$2.1 million in 1983 despite a serious margin squeeze that continued to affect Petrosar. A 5% increase in revenue in 1984 was the result of strong sales of Polysar's rubber and latex products.

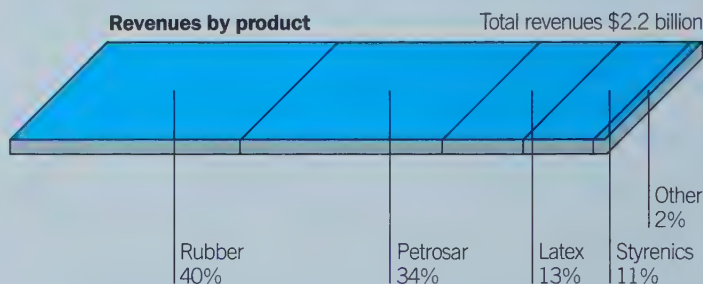
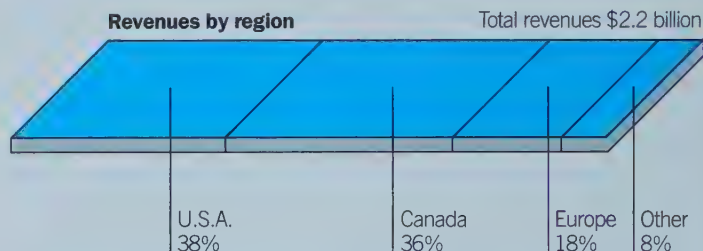
Polysar Limited

During the past year, Polysar continued expanding its international leadership position as a supplier of high quality and technically superior products. Polysar operates 18 plants in six countries and has sales representation in over 90 countries. Its products are used by other manufacturers to make a wide variety of industrial and consumer goods, including automotive tires, coated paper, plastics packaging, roofing membranes, carpet adhesives and foam rubber carpet backing.

Polysar had a strong financial performance during 1984. Revenue increased almost 6% to \$1.4 billion while contribution of \$55.8 million was significantly improved from \$26 million in 1983. This performance was the result of buoyant business conditions for its major customers, as well as an improved product mix that has increased the proportion of higher value-added products in total sales. As with all CDC companies, Polysar has made significant strides in its efforts to improve productivity and reduce costs. As evidence, the breakeven points for Polysar's plants, which had ranged around 85-95% of capacity a few years ago, have now fallen to the 65-75% range.

Rubber: Polysar's rubber division, which accounted for about 62% of the company's 1984 revenue, achieved strong performances in both its North and South American and European operations. The company's specialty bromobutyl rubber compounds continued to show strong growth and are preferred by leading tire makers in manufacturing liners for tubeless tires. Bromobutyl belongs to the family of specialty rubbers known as halobutyls. Polysar is placing heavy emphasis on developing new applications for its halobutyls, which have higher margins and better market growth than traditional commodity rubbers.

The company is also placing strong emphasis on its sales efforts in the Asia-Pacific market. Polysar has strengthened its long-established ties with China, a huge and increasingly attractive market for Polysar's rubber products, particularly butyl. During the past year, the company brought into commercial production one of the



RICHARD STROOBANDT

At Petrosar, product has to be "flared"—or burned off in the atmosphere—when there is an upset in one of the plant's operating units. Richard, an operator at Petrosar, believed that product losses could be reduced from flaring by installing a system that identified more quickly where there was an operating problem, allowing remedial action to be implemented. For an initial investment of \$100,000, Petrosar is saving about \$200,000 each year. The eventual savings will be worth millions over the life of Petrosar.



BARB JUNEK

Through ingenuity and initiative, Barb Juneke has been able to reduce the number of days of accounts receivable in Polysar's Canadian resins division from 57 to 41 days. Barb, who is a credit manager in Cambridge, Ontario, says Polysar now saves between \$75,000 and \$100,000 in interest costs.

world's most modern rubber manufacturing facilities in Sarnia—a \$359 million plant known as Butyl II. Without production from Butyl II, Polysar would not have been able to meet all of its customer requirements during 1984.

Latex: With six plants in four countries, Polysar's latex business accounted for about 20% of revenue during 1984. Latex is used in manufacturing carpets, adhesives and coated paper as well as many other applications. Latex sales increased 4.5% over 1983 and Polysar's profit margins showed improvement, despite some softening in prices, because of reductions in costs, improved productivity and a better product mix.

Styrenics: Polysar's styrenics division produces styrene monomer for manufacturing rubber and latex as well as for further processing into polystyrene at four plants in Canada and the United States. New styrene manufacturing capacity brought on stream has created an oversupply of product, which reduced prices and eroded margins in the second half of 1984. While styrene is a commodity, polystyrene can be a specialty product and Polysar has been upgrading its product line through technical development efforts.

Formed products: Located in West Germany, this division produces consumer products for industrial catering, food packaging and horticultural use. Since the division was restructured into three profit centres, it has improved its profitability by 50%.

Petrosar Limited

With a payroll of about 650 employees, Petrosar serves as an important source of primary petro-chemicals for Polysar and a number of other petrochemical manufacturers in the Sarnia area. Its products include ethylene, propylene, butadiene, various butylenes and aromatics.

Although Petrosar maintained its reputation during 1984 as an efficient and reliable supplier of primary petrochemicals, its ability to compete continued to be hampered by Canada's regulated pricing regime for crude oil. Polysar and Petrosar, working together, have developed an imaginative program to restore Petrosar's viability. There is a determination on the part of Petrosar's shareholders to ensure that the issues affecting its long-term competitiveness are fully dealt with during 1985.

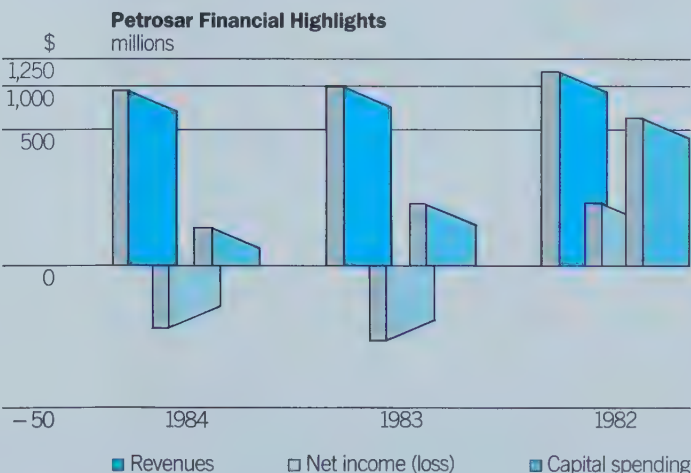
Under prevailing energy policies, acquisition costs of crude oil have risen steadily while the selling prices of Petrosar's products, which are freely determined in international markets, have declined and caused a severe margin squeeze. During 1984, Petrosar successfully converted 17% of its capacity to run on gas liquids — ethane, propane, and butane — which currently provide higher margins than crude oil. As feedstocks account for 86% of

Petrosar's total costs, this progress was insufficient to offset the margin squeeze and Petrosar lost \$54.8 million, compared with \$52.7 million in 1983. Petrosar's negative contribution to CDC was \$26.8 million compared with \$23.9 million in 1983.

In addition to the ethane and butane cracking capacity, 1984 was the first full year of operation for the new vacuum distillation plant which upgrades heavy oil. The resulting output — vacuum gas oil — is a valuable refinery product and is being sold or traded for the feedstock Petrosar normally processes. With these modifications, Petrosar now refines 80% of a barrel of oil into petrochemical products, compared with 38% when the plant began commercial operations in 1978. The plant now consumes 65,000 barrels of crude oil per day, down from the 165,000 barrels used in 1978. Present plans call for extending this general approach — more upgrading of heavy oil and more cracking of gas liquids — much further but they involve an investment of some \$100 million.

Petrochemicals

Financial Performance	1984	1983	1982
		(millions)	
Revenues	\$2,218.4	\$2,112.3	\$2,249.8
Contribution to CDC	29.0	2.1	(38.6)
Cash flow before interest ...	192.7	168.2	132.7
Free cash flow	26.4	11.5	(57.5)
Research and development	24.5	23.3	27.1
Capital expenditures	45.0	116.7	249.8
Total assets	2,352.9	2,308.7	2,285.6
Working capital	178.0	176.1	186.6



KIRK WILSON



Kirk Wilson, who is a supervisor in the olefins department at Polysar's Sarnia facilities, developed two innovative projects: one to dispose of excess brine and the other to reduce the carbon levels in an effluent stream. Both were posing serious environmental problems. The solutions are saving Polysar \$350,000 per year but cost less than \$3,000 to implement.

PETROSAR

OFFICE INFORMATION PRODUCTS

The past year was one of significant change for CDC Data Systems Limited, a 100% owned CDC subsidiary with investments in companies that manufacture and distribute office information products throughout the world. The company's two major investments—AES Data Inc. of Montreal and Savin Corporation of Stamford, Connecticut—showed a significant improvement in their financial performances, reflecting the continuing success of strong management actions taken during the past two years to make their operations more productive and competitive and to reduce losses. As well, CDC's investment in Insystec Inc., a startup company developing an integrated voice and data office automation product, made good progress during 1984.

During the past year, CDC Data Systems sold two investments, both of which resulted in significant gains and reflected CDC's ability to enhance the value of its underlying holdings. Early in 1984, Wordplex International Inc., a wholly-owned subsidiary which manufactured and marketed word processing systems, was divested through a successful public share offering in London, England, resulting in a gain of \$11.9 million and cash proceeds of \$31.2 million. In another sale completed later in the year, the company sold its interest in Delphax Systems to Xerox Corporation for a gain of \$22.2 million.

As a result of these sales and the improved financial performance of its remaining investments, CDC Data Systems had a small loss of \$6.1 million, greatly reduced from the loss of \$57.4 million for 1983. Before gains on the disposal of Wordplex and Delphax totalling \$34.1 million, the company had a loss of \$40.2 million.

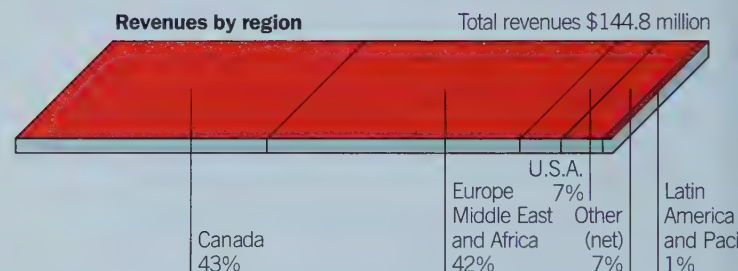
AES Data Inc.

AES Data is a market-driven company with superior distribution and service capabilities for software-rich, network-oriented office automation products. Wholly owned by CDC Data Systems, AES Data has successfully repositioned itself to supply competitive products in today's sophisticated office environment.

One of the company's greatest assets is the more than 300,000 people around the world who have been trained to use its installed base of equipment which now exceeds 100,000 machines. This large and growing base represents an important source of new equipment orders and for software enhancements to existing products. These loyal customers also provide a strong building block for AES in its efforts to capture a larger share of the rapidly growing market for office automation equipment. The

AES Data

Financial Performance	1984	1983	1982
		(millions)	
Revenues	\$144.8	\$134.0	\$188.2
Loss	(7.5)	(28.7)	—
Contribution to CDC	(11.3)	(14.9)	(2.5)
Research and development ..	10.3	17.0	14.8
Total assets	111.1	132.4	131.3
Working capital	53.7	34.6	35.6



AES

STEVE HODGE

Steve is AES's super salesman, selling over £1.5 million to accounts in London, England. One of the key aspects of his selling techniques is good followup. When the Royal Yacht Britannia docked in Montreal last year as part of the Queen's visit to Canada, Stephen ensured that technicians were available to provide support and service to on-board operators of AES equipment.



JUDY MORGAN

Judy is a sales representative who sold \$1.7 million (U.S.) of Savin copiers to three major accounts in the Chicago area during 1984, including United Airlines.

company's product strategy recognizes that automating the modern office is an incremental process. Its present line of products—many of which were introduced or further enhanced during the past year—offers opportunities for users to integrate managerial and professional functions with administrative and secretarial operations which are already automated and using AES equipment.

This successful product strategy, and the completion of a downsizing program during the year, allowed AES to return to profitability during the last quarter of 1984. For the year as a whole, revenue increased 8% from 1983 to \$144.8 million and the company's operating loss was significantly reduced to \$7.5 million from \$28.7 million in 1983. AES' contribution to CDC's results—after the application of corporate adjustments—was a loss of \$11.3 million, an improvement from the loss of \$14.9 million for 1983.

For 1985, AES is projecting a full year of profitable operations as its new and enhanced products continue their penetration of world markets. The major product series launched during 1984 was the AES 7300 Distributed Office System. The 7300 system features networking facilities designed to spread the benefits of automation to all principal desks within the office while allowing individual users to obtain wide access to information bases. To interconnect the 7300 system with other installed AES products and those of other vendors, the company also introduced AESNET, which connects a number of workstations into a local area network, and AESGATE, which links these networks to remote terminals or systems. In addition, a new product, known as AESOP, extends the full range of AES information processing capabilities to data stored on IBM equipment, including the IBM PC. During the year, AES upgraded its 7100 standalone office system with a more compact 25-line screen and a number of new software applications. The company also broadened the range of printers that it offers customers, including laser, dot matrix and an upgraded daisy wheel.

AES was able to maintain its market share in both the Canadian and European markets. The company continued the process of rebuilding its U.S. distribution arrangements by starting the development of a branch and dealer organization, including entering into a non-exclusive distribution agreement with Lanier Business Products. A number of other distribution arrangements are under development and should be finalized during 1985.



**ROSEANNE SAWAYA
O'BRIEN AND PAUL
GAGNON**

Roseanne and Paul, who work at Savin's Boston sales branch, developed a program to improve the effectiveness of servicing of customer equipment. Called AWARE, customers are now being apprised of service needs more quickly while administrative functions are being performed more effectively. At the Boston branch, this has meant an increase in service business from \$30,000 per month to more than



\$80,000. Because of its overwhelming success, the AWARE program is now being implemented at all Savin retail branches.

For 1985, AES will seek to reduce its manufacturing costs and improve its service capabilities. The company expects to invest half of its research and development expenditures in making further enhancements to its existing products. The remainder will be devoted to developing a new generation of office automation products which will utilize AES' world-class software capabilities.

Savin Corporation

CDC Data Systems owns 65% of Savin's common equity. Savin is one of North America's largest marketers of plain paper photocopiers with nearly 500 independent dealer and company-owned branch locations in both Canada and the United States. During 1984, in a turbulent and highly competitive market, Savin underwent a great deal of change.

The result was a significant improvement in financial performance, although the company did not achieve its goal of becoming profitable on a monthly basis by the end of the year. Savin had a loss of \$27.6 million (U.S.) on revenue of \$413.2 million (U.S.) for 1984, compared with a loss of \$61.5 million (U.S.) on revenue of \$396.1 million (U.S.) during 1983. Savin's negative contribution to CDC for 1984 was \$24.6 million, a significant improvement from \$43.8 million in 1983. The reduced loss was the result of a stronger marketing effort and reductions in operating expenses exceeding \$60 million on an annual basis during the year. Savin's Canadian subsidiary achieved its best financial performance ever during 1984, showing profitable operations and expanding its share of the market.

Savin			
Financial Performance			
	1984	1983	1982
		(millions)	
Revenues	\$534.7	\$488.3	\$405.0
Loss	(30.6)	(75.2)	(9.8)
Contribution to CDC	(24.6)	(43.8)	(6.2)
Research and development ..	8.1	12.6	11.2
Total assets	478.6	453.4	504.0
Working capital	57.4	81.9	176.8

As Savin entered 1984, it had just introduced its first new product line in three years. During the year, the 5000 series of copiers gained an unmatched reputation for reliability. Three independent organizations that carried out industry-wide surveys—Buyers Laboratory Inc., Data-pro and the Office Products Analyst—all reported high ratings for reliability for Savin's liquid-toner copiers. During late 1984, Savin introduced the 7000 series, a line of highly featured powder toner machines. Savin is now the only photocopier company in North America offering its customers a product line that includes copiers using both liquid and powder toners and having speeds from 10 to 50 copies per minute. With its new products, Savin was able to increase its net placements by 28% over 1983.

During 1984, Savin made significant progress in commercializing its advanced Landa III imaging technology, incorporating Savin's proprietary *ElectroInk* toner. This proprietary technology has applications in areas outside traditional photocopying. Savin has granted licenses to the DuPont Company, Stolle Corporation (a subsidiary of Alcoa Corporation), Harris Graphics Corporation and Xerox Corporation for applications as diverse as photo typesetting, colour proofing, medical imaging, printed circuitry and high-speed printing and duplicating. These licenses provided Savin with significant advance payments, as well as the potential for future royalties on products that result from the various development programs undertaken by licencees.

Savin is using its Landa III technology to develop a new generation of photocopiers. Savin has made a heavy investment and commitment to its 8000 series of photocopiers, which will be manufactured in company-owned facilities at Binghamton, New York. During 1984, the 8000 machine was previewed for Savin's independent dealers and field testing at a customer location commenced. The 8000 series has been designed to produce 70 copies per minute from a unit with half the size, weight and electrical power consumption of similar machines now in the marketplace.

For 1985, Savin will continue its emphasis on returning its present business to profitability while working to extend the commercialization of its technology and achieve production of its 8000 series after the completion of rigorous quality and reliability testing.

Insystec Inc.

Insystec, a wholly owned subsidiary of CDC Data Systems, is well advanced in developing a new generation of office automation equipment with advanced voice and data capabilities. A demonstration of Insystec equipment at a recent office automation show in the United States was well received. Discussions are underway with a number of potential collaborators to support the further commercial development of this product.

CDC Data Systems			
Financial Performance	1984	1983	1982
		(millions)	
Revenues	\$682.3	\$627.8	\$649.8
Contribution to CDC	(6.1)	(57.4)	(10.3)
Cash flow before interest	84.4	(42.2)	59.2
Free cash flow	38.9	(80.4)	23.0
Research and development	27.9	33.9	34.8
Capital expenditures	84.9	37.3	44.7
Total assets	630.0	692.4	678.5
Working capital	153.1	211.8	171.2

INSYSTECH

DOUG DRAKE

Savin Canada opened for business in 1980. In that short period, it has become a leading supplier of copiers to major corporations, federal and provincial governments, and commercial and educational accounts across Canada. To get this business, Savin had to compete on equal terms with other suppliers. Doug Drake, Savin Canada's director of major account sales, has directed this successful marketing effort.



LIFE SCIENCES

CDC has two investments in life sciences. The first—and more mature—is a 66.8% interest in CDC Life Sciences Inc. of Toronto which in turn owns 100% of Connaught Laboratories Ltd. and Bio-Research Laboratories Ltd., as well as a 35.4% interest in Nordic Laboratories Inc. CDC also owns a 50% interest in Allelix Inc., a relatively new venture which is conducting applied research in the emerging field of biotechnology.

During 1984, CDC's life sciences investments contributed \$21.1 million. The most significant event of the year was the sale of a 33.2% minority interest in CDC Life Sciences to public investors. This very successful transaction resulted in a gain to CDC of \$15.4 million which is included in the results for CDC's life sciences investments. Allelix did not earn any commercial revenue during 1984 and CDC's after-tax share of expenses for the year was \$2.7 million.

CDC Life Sciences Inc.

The past year was one of significant progress for CDC Life Sciences and its three investments, Connaught, Bio-Research and Nordic. Each company established individual records for sales revenue and profitability, and made significant strides in improving marketing capabilities and in developing new products and services with significant commercial potential. The public offering of common shares in CDC Life Sciences was quickly sold out in late 1984, and traded at a premium over the issue price of \$12.50.

DR. SHI-HSIANG SHEN

Connaught has successfully produced laboratory quantities of biosynthetic human insulin through the use of genetic engineering technologies. Dr. Shen is the group leader of Connaught's genetic engineering team and has identified a new approach to enhance the yield of proinsulin, an insulin precursor. This technology could have wider applications for many other small proteins to allow them to produce higher yields of certain important human hormones.

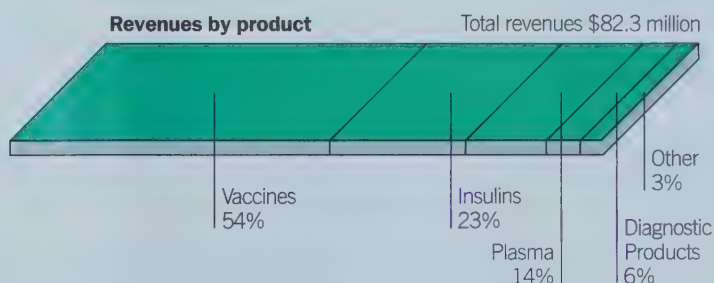


During 1984, CDC Life Sciences had income from existing operations before extraordinary items of \$8.3 million on revenue of \$94.9 million, up sharply from \$3.5 million on revenue of \$79.8 million in 1983. After extraordinary items, CDC Life Sciences had 1984 earnings of \$15.4 million, compared with \$10.3 million a year earlier. After tax adjustments and other charges of \$7.0 million, CDC Life Sciences contributed \$8.4 million to CDC during 1984.

CDC Life Sciences has invested in certain well-defined sectors of the health-care industry where its companies have special expertise and knowledge. Each company in the group invests in commercially oriented research and development programs in order to maintain its individual strengths.

Connaught Laboratories Limited: Connaught is one of Canada's most respected companies in the health-care field and a leading supplier of biologically based products. During the past year, the company had a record year with revenues of \$82.3 million, up 18% from \$69.5 million in 1983. Net earnings before extraordinary items were \$5.3 million, compared with \$4.5 million for 1983. After extraordinary items of \$4.7 million, resulting from income tax recoveries from applying prior year's losses, net earnings were \$10.0 million, compared with \$4.9 million a year earlier.

The company has four major product lines: vaccines, insulins, human blood fractions and diagnostic products. The company spent approximately 17% of its 1984 revenue on research, concentrated mainly in developing new vaccines.



HEATHER GILLARD

The revenues of Bio-Research's clinical research unit have grown 20-fold over the past three years and they are expected to continue to increase more dra-

matically in the near future because of a large expansion in facilities now under construction. To handle this expansion, Heather devised and implemented a resource management system that allows staff in the division to process the increased volume of projects with substantially improved profitability while maintaining high-quality scientific quality standards. As manager of the clinical research centre, she is highly regarded for her excellent management skills and ability to create enthusiasm in her team.

Vaccines: Human vaccines, which accounted for 54% of Connaught's 1984 revenues, are the company's major product line. Vaccines contain safely modified bacterial or viral agents and increase resistance to infection by stimulating the body's internal defense mechanism to fight against disease. During 1984, vaccine sales grew 14% because of strong growth in the United States and record shipments of the company's *Fluzone* vaccine against influenza. Connaught has a number of new vaccines in development, for protection against rabies, bacterial meningitis and hepatitis B. The company's joint marketing venture with E.R. Squibb and Co. continues to provide strong momentum for vaccine sales in the United States.

Insulins: Connaught sells insulin in Canada under the name Connaught-Novo. Its insulin supplies are purchased from Novo Laboratories Ltd., a wholly owned subsidiary of Novo Industri A/S of Denmark. Connaught's reputation for supplying quality insulin products in Canada allowed it to increase sales by 17% over 1983 while withstanding strong competition for market share from a U.S.-based supplier. Insulin accounted for 23% of Connaught's revenues during 1984. The company has developed genetic insulin using recombinant DNA technology and is working on process technology to allow production of commercial quantities. In addition, the company has formed a joint venture, Vivotech, to develop microencapsulation of living cells, which in the years ahead could become an entirely new therapy for diabetics.

Human blood plasma fractions: For a number of years, Connaught has been a contractor to the Canadian Red Cross, supplying a variety of blood fractions on a cost-recovery basis. Connaught's contract with the Red Cross expires at the end of 1985 and the company is reviewing its future strategy in plasma processing. Plasma processing provided 14% of Connaught's 1984 sales.

Diagnostic products: Connaught has a small business supplying diagnostic products that help detect diseases in humans. Last year, diagnostic products accounted for 6% of revenue.

Bio-Research Laboratories Ltd. Bio-Research evaluates pharmaceuticals, chemicals and consumer products under contract for other organizations. Revenue for the past year was a record \$12.6 million, up 21% from 1983. Income from existing operations before extraordinary items totalled \$3.6 million, compared with \$743,000 during 1983. After extraordinary items from applying tax losses from previous years, the company had net income of \$5.7 million, up from \$751,000 in 1983.

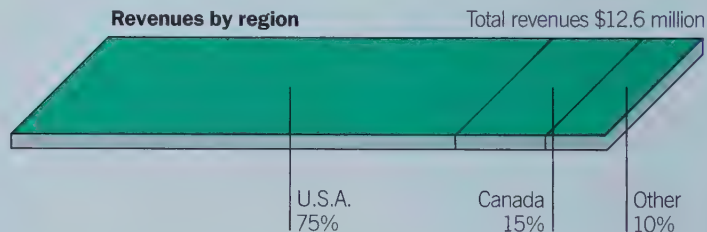
One of the main purposes of Bio-Research's testing programs on behalf of its clients is to determine the effects of these products before their general usage. The company thrives on its reputation for high-quality contract research. Its sophisticated reports—the result of using the most advanced testing systems and scientific skills—are frequently submitted by clients to government regulatory bodies to obtain permission to market their products.

The two main services offered are toxicological evaluation and chemical research and drug analysis. To cope with a sharp increase in demand for its bioanalytical testing services, Bio-Research began construction during 1984 of an \$8 million expansion which is due to open in 1985. In addition, Bio-Research formed a joint venture during 1984 to exploit opportunities in genetic toxicology. Bio-Mutatech Inc., which is jointly owned with Dr. John Heddle, a world-renowned genetic toxicologist, will work in the area of occupational health and safety, pursuing commercial opportunities in the study of gene mutations that result from environmental conditions in the workplace. Bio-Research is also investing in a number of research programs which are designed to expand the range of testing services that it can provide to its clients.



JEAN-PAUL ROSIERS

Jean-Paul, who is in charge of Bio-Research's department of toxicology resources, has responsibility for the management and financial control of a staff of 80 technicians as well as the logistics for the company's studies. He implemented a new system of assigning work to his staff that increased their productivity—a system that showed immediate financial savings and produced a performance that was well above budget. Jean-Paul is one of Bio-Research's longest serving employees, joining the company in 1966 as a technician. His personal growth over the years is an example of Bio-Research's ability to recruit, develop and retain high quality scientific talent.



CDC life sciences inc.

Nordic Laboratories Inc. CDC Life Sciences owns a 35.4% interest in Nordic, which develops, manufactures and markets pharmaceutical drug products throughout Canada. Nordic's commercial partner and 50% shareholder is Marion Laboratories Inc., a highly successful and respected pharmaceutical company based in Kansas City. During 1984, Nordic's sales nearly doubled to \$21.4 million, mainly because of the success of *Cardizem*, a drug used for the treatment of angina. Nordic's contribution to CDC Life Sciences was \$1.3 million, up from \$429,000 in the previous year.

Cardizem sales increased 285% during 1984 and captured approximately 40% of the market for its class of drugs in Canada. *Sulcrate*, an anti-ulcer medication sold by Nordic, increased its sales by 31% during the year, while other drugs—led by *Maxeran* and *Glucophage*—also showed solid growth. Nordic is investigating possible new applications for both *Cardizem* and *Sulcrate* which could expand their sales significantly. In late 1984, the company introduced a new product for use in doctors' offices to diagnose strep throat and is working on a number of others for introduction in the Canadian market. Nordic has invested heavily in medical information and sales training, increasing its sales force from 32 to 50 representatives.

Allelix Inc.

Allelix is a world-class biotechnology company with headquarters and laboratory facilities in Toronto. During its second year of operation, Allelix developed its first commercial product and expanded several product-oriented development programs aimed at the agricultural, diagnostics and specialty chemical markets. The company made excellent progress during 1984 in its worldwide scientific recruitment program which is critical in maintaining its leading edge in biotechnology developments. In addition, Allelix has successfully recruited commercial managers to

guide development of near-term products and provide market direction for ongoing research programs.

A major research program at Allelix is seeking to develop improved canola hybrids through cell manipulation and plant breeding. A joint venture has been formed to augment research funding and to capitalize on the partner's market knowledge and skills during the eventual commercialization process. A second agricultural project is developing bacterial soil inoculants. These are micro-organisms placed in the soil which enhance a plant's ability to take up nitrogen, stimulate growth and increase crop yields.

In the molecular immunology area, Allelix is developing diagnostic tests based on the *Uriease* line of immunochemistry reagents and a unique proprietary device that simplifies test procedures. Small quantities of the *Uriease* reagents are currently being marketed to commercial and university laboratories. While the first application will probably be in a consumer-oriented pregnancy test kit, the main strategic thrust will be in developing a range of products for use in physicians' offices. The pregnancy test kit will undergo extensive field testing in the next few months by a potential licensee and, if successful, could be commercialized during the next 12-18 months.

Life Sciences

Financial Performance	1984	1983	1982
		(millions)	
Revenues	\$ 94.9	\$ 82.6	\$ 152.8
Contribution to CDC	21.1	17.0	3.9
Cash flow before interest ...	19.6	28.2	16.9
Free cash flow	17.0	25.0	10.9
Research and development	13.1	16.5	14.9
Capital expenditures	7.7	5.0	5.1
Total assets	125.8	98.2	111.6



CHANTAL CORMIER

As a sales representative for Nordic, Chantal was able to capture one of the highest market shares for *Cardizem* that has been achieved in North America. She has been a leader within her sales district for physician call activity and the effective use of educational materials. She recently received a promotion to specialist representative and was recognized as Nordic's 1984 sales representative of the year.



Allelix_{INC.}

GRAHAM STRACHAN

Graham Strachan is the commercial director for Allelix, CDC's partnership with the Government of Ontario and John Labatt Ltd. to develop commercial applications in biotechnology. In his position, Graham directs the commercial activities of Allelix, including the identification of market opportunities where its research efforts should be applied. During 1984, he recruited a high-powered staff with intimate knowledge in agriculture, health care and industrial products. Last year, he also brought Allelix's first commercial product to market and negotiated its first major joint venture with a commercial partner.



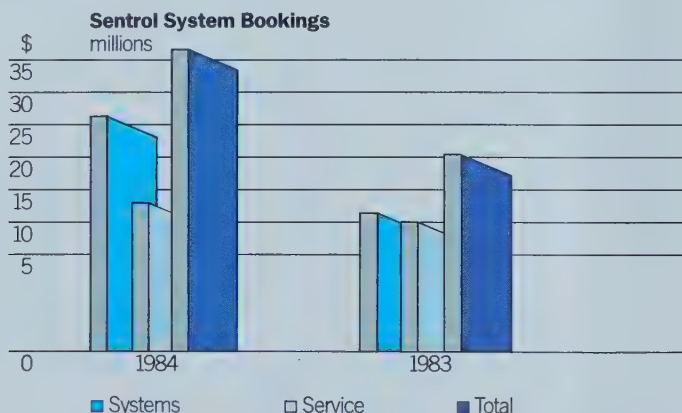
INDUSTRIAL AUTOMATION

Sentrol Systems Ltd.

Sentrol designs, manufactures and sells process-control systems. Its highly sophisticated products are on the leading edge of today's computer technology and allow a range of industrial processes to be automated. Many industrial concerns are investing heavily in new equipment to automate their operations because it increases productivity, improves product quality and minimizes wastage of raw materials.

The company has developed a large number of sensors that are capable of measuring the physical properties of various materials. These sensors, when integrated into a computer-based system, provide centralized control of large industrial processes. Sentrol markets its products throughout the world to companies operating in pulp and paper, steel, pipelines, water distribution, building products and automotive parts.

Operations: During the past year, Sentrol's operations showed significant improvement due to a strengthened marketing effort and the recovery in capital spending by its customers. Bookings increased significantly in 1984 to \$35.5 million while revenue was up 29% to \$32.1 million,



CARLOS DIAZ

Last year, Sentrol sold 10 systems worth \$5.5 million to the Brazilian paper industry, a difficult market where the company had not made any previous sales. Carlos Diaz organized a joint venture with a local computer company to overcome import restrictions and sold previously unfamiliar customers on Sentrol's products and the technical capabilities of its employees. Diaz, who is Sentrol's Sales Manager for South America, expects 1985 to be another big year for the company in this region.



both of which represented records for the company. As a result, Sentrol achieved a profit from operations of \$2.0 million—before the application of corporate adjustments by CDC.

The company's strong financial performance was helped by the strides made over the past two years in lowering operating expenses and improving project management controls. Sentrol's image as an aggressive, innovative and committed supplier of quality automation equipment was further enhanced by the good acceptance of its new products by the marketplace and positive references from customers using its installed products. Sentrol continues to maintain its technological edge, investing more than 7% of its 1984 revenues to develop new products and enhance existing ones.

Outlook: The company expects another successful year in 1985 with revenues growing proportionately more than the industry as a whole. Emphasis will continue to be placed on improving margins through tight cost controls and project management. With support from CDC, Sentrol intends to seek opportunities to expand its product range to accelerate further its growth.

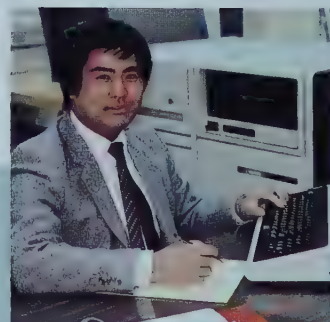
Sentrol Systems

Financial Performance	1984	1983	1982
		(millions)	
Revenues	\$32.1	\$24.9	\$30.2
Operating income (loss)	2.0	(3.0)	(9.4)
Contribution to CDC	(1.5)	(3.2)	(5.8)
Cash flow before interest	2.6	(1.7)	(6.8)
Free cash flow	1.8	(2.7)	(8.3)
Research and development (gross)	2.3	2.0	2.2
Capital expenditures	0.4	0.1	0.6
Total assets	19.7	21.0	23.4
Working capital	7.3	4.0	7.1

sentrol

RANDY MOK

To import process control systems into Brazil, Sentrol had to use a locally manufactured computer. This required a complete new set of programs, a task that could have taken two years to complete. Randy Mok, a software development engineer, created a special translator program that allowed this task to be completed in less than six months. Randy's achievement allowed Sentrol to meet tight delivery schedules. As well, the company now has new control software that can be used on any computer using an 8086



microprocessor, representing an important enhancement to Sentrol's technology and providing flexibility to satisfy future customer needs.

OTHER INVESTMENTS

CDC holds a 19.4% interest in Onex Capital Corporation, which began operations during 1984 by making investments in three medium-sized companies. In addition, CDC holds a 100% interest in CDC Ventures Ltd., which has been its vehicle for making equity investments—usually with partners—in the field of venture capital. The Corporation was one of Canada's earliest sources of venture capital and has realized some excellent returns over the years. Because of the increase in the number of venture capitalists in Canada and the amount of financing they have available, CDC is gradually reducing its involvement in this field.

Onex Capital Corporation

In early 1984, Onex raised \$51.4 million in equity capital from several institutional and individual investors. Onex will use this capital to acquire controlling interests in medium-sized companies in Canada and the United States. The company's small but highly skilled management team participates in the corporate strategy and policy decisions made by its investments to enhance their value over the medium to longer term.

Late in 1984, Onex purchased for \$255.0 million a 55% interest in American Can Canada Inc., which is the largest can manufacturing and specialized packaging company in Canada. During the past year, Onex also acquired a 45% interest in Macleod-Stedman Inc., which operates 104 company owned and 395 franchised stores located in smaller communities throughout Canada. As well, Onex acquired an 86% interest in Na-Churs Plant Food Company, a liquid fertilizer manufacturer and distributor in the United States.

ONEX

CDC Ventures Ltd.

Over the years, Innocan Inc. of Montreal has been a very successful investment for CDC. During the past year, Innocan made a successful bid for Nordair Inc., a regional air carrier, that was financed through a private equity placement in which CDC did not participate. As a result, CDC's interest in Innocan has been reduced to 10%. During 1984, Innocan also purchased PEAC Media Research Inc., which is engaged in developing and marketing computer-based market and media research technologies. Other Innocan investments include Remanco Systems Ltd. and Memotec Ltd., both of which had excellent results during 1984.

AVF Investments Ltd., in which CDC Ventures has a 13% interest, had another successful year. Its oil and gas subsidiary and a seismological survey company both achieved good financial results. During the year, AVF invested in an attractive silver property in the Yukon.

Atlantis Corporation, a Newfoundland-based fund in which CDC Ventures holds a one-third interest, had a disappointing year. An attempt to purchase pulp and paper assets in the province fell through after extensive negotiations, while the company's crab plant lost money due to a significant decline in the catch available for processing.

VENTURES

GERALD SCHWARTZ, ANTHONY MELMAN AND EWOUT HEERSINK

It took five months of concentrated—and demanding—effort by the three key executives of Onex but the result was worthwhile: the purchase of a 55% interest in American Can. In fact, it was a busy year for the Onex team who started the year by raising \$51.4 million from several institutions, companies and private investors. Onex's president Gerald Schwartz (centre) is recognized throughout Canada and the United States for his skills in leveraged buyouts.



Consolidated Financial Review

During 1984, the North American economy continued the strong recovery that had started during 1983 with growth in the United States being particularly vigorous. CDC's consolidated financial results showed an impressive improvement during the past year, with the Corporation achieving a profit of \$81.1 million on revenue of \$4.2 billion versus the loss of \$45.0 million it had suffered on revenue of \$3.8 billion during 1983. While improved economic conditions played a role, most of the gain resulted from aggressive marketing activities, continued cost containment and more efficient and productive operations. During 1984, CDC's results include after-tax gains on the sale of investments totalling \$49.5 million, compared with \$5.3 million in 1983.

Financial Objectives

As CDC entered 1984, it had established a number of medium-term goals to improve its operational and financial performance. Significant progress was made in achieving these goals during the past year; these goals are to:

- continue making improvements in the operations of all CDC companies, placing particular emphasis on increasing the use of capacity, so that CDC's rate of return on equity and assets will be restored to acceptable levels;
- reduce consolidated indebtedness by more than \$1 billion over the next five years.

- reorganize the Corporation's capital structure to make each underlying investment more independent, allowing minority interests to be sold to investors as appropriate, and providing a better indication of the value of CDC's own shares; and
- create an environment among investors that will facilitate the sale by the federal government of its holdings of CDC common shares in the market when it decides to do so.

Progress During 1984

During the past year, CDC made significant progress in strengthening its balance sheet as a result of an improved operating performance, the profitable disposition of three non-strategic investments and the successful sale of a minority interest in CDC Life Sciences.

Economic Conditions: In the United States, the strong growth rate recorded during the first half subsided somewhat in the second half to a more sustainable—yet still vigorous—pace. For the year, the increase in U.S. real GNP was about 7%—a rate of expansion not recorded since the early 1950's. In Canada, after a sluggish first quarter, the pace of economic activity picked up, led by a robust export sector. Inflation rates fell during the year; in the United States, the average for the year was 4% while, in Canada, the inflation rate hit a 13-year low by year-end. Nevertheless, high real interest rates persisted during 1984, reflecting deficit fears, high returns available to U.S. investors and concerns about renewed inflation.

Contribution Summary

(millions)	Revenues		Contribution	
	1984	1983	1984	1983
Canterra Energy	\$ 610.1	\$ 507.1	\$ 46.0	\$ 19.7
Kidd Creek Mines	543.1	476.9	16.9	(1.2)
Polysar Petrochemicals	2,218.4	2,112.3	29.0	2.1
CDC Data Systems	682.3	627.8	(6.1)	(57.4)
Life Sciences	94.9	82.6	21.1	17.0
Sentrol Systems	32.1	24.9	(1.5)	(3.2)
CDC Ventures			(0.8)	20.1
Corporate		3.1	(23.5)	(42.1)
Total	\$4,180.9	\$3,834.7	\$ 81.1	\$(45.0)

Quarterly Revenues

(millions)	First quarter	Second quarter	Third quarter	Fourth quarter
Canterra Energy	\$ 137.0	\$ 142.5	\$ 153.5	\$ 177.1
Kidd Creek Mines	131.5	133.4	130.8	147.4
Polysar Petrochemicals	541.6	591.3	535.3	550.2
CDC Data Systems	177.4	160.1	163.6	181.2
Life Sciences	19.9	20.8	29.4	24.8
Sentrol Systems	4.9	7.5	7.4	12.3
Total	\$1,012.3	\$1,055.6	\$1,020.0	\$1,093.0

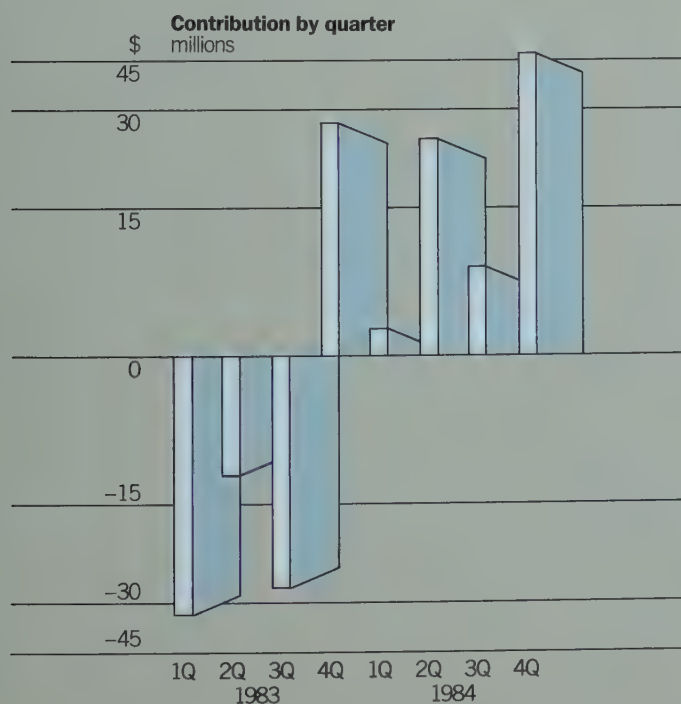
Quarterly Contributions (millions)	First quarter	Second quarter	Third quarter	Fourth quarter
Canterra Energy . . .	\$ 5.1	\$ 14.6	\$ 12.1	\$14.2
Kidd Creek Mines . .	(1.7)	6.2	0.5	11.9
Polysar				
Petrochemicals . .	9.4	15.7	4.9	(1.0)
CDC Data Systems .	(6.5)	(4.7)	(8.5)	13.6
Life Sciences	1.6	0.8	4.7	14.0
Sentrol Systems . . .	(0.8)	(0.4)	(0.6)	0.3
CDC Ventures	(0.1)	(0.3)	(0.1)	(0.3)
Corporate	(5.6)	(5.7)	(5.3)	(6.9)
Total	\$ 1.4	\$ 26.2	\$ 7.7	\$45.8

Financial Performance: CDC's results for 1984 were significantly better than 1983, with gains being recorded as a result of the expanding economy, continued cost control, productivity improvements and sales volume gains. Prices for most metals, basic petrochemicals and oil and gas products actually declined during the year. The most significant exception to this trend was the rapid improvement in sulphur prices which were boosted by tightening supplies and firming worldwide demand.

In this environment, nearly all CDC companies increased profits and cash flows. After payment of preferred dividends, CDC had a profit of 98 cents per share, compared with a loss of \$2.41 per share in the year-earlier period.

Earnings (loss) per share	First quarter	Second quarter	Third quarter	Fourth quarter
1984	\$(0.28)	\$ 0.41	\$(0.10)	\$0.95
1983	\$(1.19)	\$(0.62)	\$(1.09)	\$0.49

With the exception of Petrosar, results of CDC's resource companies were well ahead of 1983, reflecting strong sulphur markets at Canterra, improved productivity of operations and increased output at Kidd Creek, and strong rubber and latex markets at Polysar. During 1984, Petrosar's operational performance continued to improve, with further reductions made to overheads, better energy



efficiency and increased productivity. However, declining world oil prices during the year further reduced its margins: because of the inflexibility of Canada energy pricing regime, Petrosar cannot purchase feedstocks that are competitive with those available to similar companies operating in the U.S. Gulf coast.

Good progress was made in improving the results of CDC Data Systems. AES Data was able to reduce its costs, introduce new products and become profitable by the fourth quarter. Despite Savin's progress in improving its competitiveness and reducing its costs, it failed to reach breakeven during the year. Results of CDC Data Systems include the gain of \$22.2 million from the disposal of its interest in Delphax Systems and \$11.9 million from the sale of Wordplex Information Systems plc during 1984, while the contribution from life sciences includes a gain of \$15.4 million for a public offering of a minority interest in CDC Life Sciences. Companies owned by CDC Life Sciences had a strong year with Connaught, Bio-Research and Nordic setting individual records for revenues and profitability. Sentrol operated profitably before the application of corporate adjustments, reflecting that company's continued success in penetrating world markets for process control equipment and the recovery in capital spending during the past year.

Cash Flow: The Corporation's ability to generate cash flow recorded another substantial improvement during 1984, as cash flow before financing charges increased to \$997.3 million from \$755.2 million in 1983. Free cash flow—the amount available for capital expenditures and debt repayments after all expenses, including capitalized charges—nearly doubled to \$319.9 million in 1984 from \$161.3 million recorded in the previous year. During the past year, consolidated interest payments were up 13% to \$579.0 million as a result of increased interest rates and the higher U.S. dollar. The average rate on CDC's syndicated loan—representing 54% of total debt—was 11% in 1984, compared with 10% in 1983.

Cash Flow (millions)	Cash flow before financing charges		Free cash flow	
	1984	1983	1984	1983
Canterra Energy . . .	\$466.6	\$375.7	\$187.1	\$137.3
Kidd Creek Mines . .	185.2	223.7*	96.4	135.4*
Polysar				
Petrochemicals . .	192.7	168.2	26.4	11.5
CDC Data Systems .	84.4	(42.2)	38.9	(80.4)
Life Sciences	19.6	28.2	17.0	25.0
Sentrol Systems . . .	2.6	(1.7)	1.8	(2.7)
CDC Ventures	10.9	2.2	10.9	2.2
Corporate	35.3	1.1	(58.6)	(67.0)
Total	\$997.3	\$755.2	\$319.9	\$161.3

*Included in cash flow for Kidd Creek Mines is income tax recoveries of \$74.5 million.

Investment Spending (millions)	Net capital expenditures*		Capitalized expenditures		Research and development	
	1984	1983	1984	1983	1984	1983
Canterra Energy	\$160.5	\$172.9	\$113.0	\$ 89.6		
Kidd Creek Mines	32.5	17.7				
Polysar Petrochemicals	45.0	116.7	23.1	41.3	\$24.5	\$23.3
CDC Data Systems	84.9	37.3			27.9	35.4
Life Sciences	7.7	5.0			18.1	16.5
Sentrol Systems	0.4	0.1				1.0
	\$331.0	\$349.7	\$136.1	\$130.9	\$70.5	\$76.2

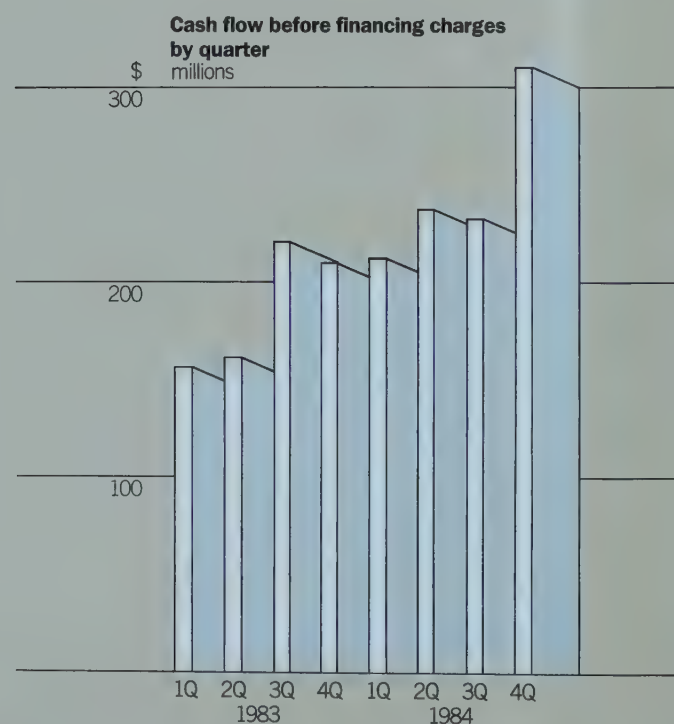
*Includes additions to deferred charges

Capital Spending: During the past year, CDC companies had aggregate capital expenditures of \$331.0 million, excluding capitalized charges of \$136.1 million. The largest proportion of this spending (47%) took place at Canterra and was used to finance a successful exploration and capital program. During 1984, Kidd Creek announced a three-year \$66 million capital program to expand the capacity of its metallurgical facilities in Timmins. This will allow Kidd Creek to smelt and refine a greater proportion of the copper concentrate it produces rather than using more expensive custom smelting facilities.

Capital spending remained tightly controlled during the past year and—with the exception of Canterra's exploration activity—was largely restricted to essential sustaining programs and quick-payout productivity improvement plans.

Consolidated Financial Position

Through operational improvements, capital spending restraint, disposals of non-strategic assets and reduction in the use of working capital, CDC was able to reduce its long-term indebtedness by \$178 million during 1984, representing 4% of the total outstanding at the beginning of the year. It ended the year with unused bank lines, cash and marketable securities of more than \$1 billion, and was in compliance with all financial covenants on loan agreements.



Financing Activities: During the past year, CDC retired \$74.7 million of income debentures that matured during 1984, while repayment of \$120 million of term preferreds at Petrosar was deferred by agreement with lenders pending the completion of a proposed restructuring program. AES concluded a long-term banking arrangement to finance its operations during the year, and Kidd Creek put in place a \$500 million (U.S.) term credit in early 1985. CDC generated \$56 million of cash through the sale of scientific research tax credits. The Corporation itself did not undertake any equity financing during the year but did raise \$37.6 million in new capital through a successful offering of 3.2 million common shares—2.4 million from treasury and 800,000 from CDC—in CDC Life Sciences, which is now 66.8% owned. The success of the CDC Life Sciences issue confirms that equity financings at the subsidiary level are a practical and effective way for CDC to raise new capital, particularly when the market price for CDC shares is at a heavy discount to their book value. Further issues of shares in other CDC companies will assist the market in valuing CDC's investments, as well as strengthening the capital structure.

Consolidated Indebtedness: Because of the improved operational performance of the Corporation and its lower debt levels, its two key financial ratios showed marked improvement. The debt-to-equity plus deferred tax and common minority interest ratio—the best measurement of the relationship between debt and equity at CDC—was 2.9 at the end of 1984 and improved from 3.2 last year. The Corporation's financial coverage ratio—the number of times interest and dividend payments are covered by cash flow—was 1.5 in 1984, improved from 1.3 for 1983. For 1985 and beyond, CDC will continue to focus on reducing the amount of long-term indebtedness.

Consolidated Capitalization

(millions)	1984	1983
Long-term debt	\$4,069.6	\$4,256.6
Term preferred minority interest	452.2	456.0
Subordinated debt	201.5	192.3
Deferred income taxes	434.4	329.5
Other preferred and common minority interest	155.4	169.8
Preferred shares	557.6	557.6
Common shares	346.2	341.2
Retained earnings	286.3	252.9
Total	\$6,503.2	\$6,555.9

Long-term debt maturities

(millions)	1985	1986	1987	1988	1989
Canterra Energy	\$ 4.5	\$ 60.1	\$ 49.5	\$ 34.8	\$ 29.7
Kidd Creek Mines	1.6	14.9	2.3	6.8	9.1
Polysar Petrochemicals	46.1	157.3	96.0	131.2	83.5
CDC Data Systems	18.7	72.6	15.6	7.8	8.6
CDC Life Sciences	3.2	0.7	1.0	0.6	0.6
Corporate	154.0		510.4	510.4	510.4
Total	\$228.1	\$305.6	\$674.8	\$691.6	\$641.9

About 83% of CDC's consolidated long-term indebtedness is at floating rates, with approximately 84% denominated in U.S. dollars. The fixing of floating rate debt remains under constant review, although in a disinflationary environment it has not been advantageous to engage in transactions that convert floating rate loans into fixed rate long-term debt. Normally this involves an increase of up to 300 basis points in interest charges to fix debt.

Foreign Exchange: CDC follows a policy of restating its long-term debt at current rates, but offsets the difference between this amount and the historic value with a currency hedge. This currency hedge reflects the fact that CDC will not realize any cash translation loss or gain when it pays down its foreign-denominated debt using Canadian dollars without an offsetting gain (or loss) on its foreign currency revenue base. In any given year, CDC's asset base, for the most part, generates either revenues in U.S. currency or, alternatively, in Canadian dollars but with prices being determined in U.S. dollars. CDC is hedged against its foreign currency debt exposure in any given year with a revenue stream that more than offsets any expected payment. CDC's debt is, in fact, hedged in the same way as if the Corporation had purchased a foreign exchange contract.

Maturities: A modest amount of CDC debt matures during the next two years. In July, 1985, a 250 million Swiss Franc note (\$167.7 million) becomes payable. Remaining debt maturities for 1985 and 1986 can be handled within present cash resources or lines of credit.

During 1985, CDC expects to reorganize some of its long-term indebtedness in order to facilitate the sale of minority interests in one or more of its subsidiaries. As a result, the maturities for 1987 and beyond are likely to change significantly.

Taxes: For 1984, CDC had a net income before gains on dispositions, minority interest and income taxes of \$105.9 million. Its consolidated tax rate of 73% reflects the impact of a number of situations for each CDC company that cause their individual rates to vary from an expected tax rate of 50%. The most significant items include resource royalties, taxes related to production of oil and gas, and the amortization of purchase price discrepancy on acquisitions, all of which are not deductible. The non-deductibility of interest expense in computing income subject to mining taxes also has a significant impact on tax expense, and consequently on the tax rate. Some companies are able to reduce their tax rates because of pools of investment tax credits which can lower the amount of tax payable. While the total tax expensed during 1984 was \$77.2 million, this has been for the most part deferred by accelerated deductions permitted under the Income Tax Act.

Long-term debt

\$ millions

5,000

4,500

4,000

1Q

2Q

3Q

4Q

1983

1Q

2Q

3Q

4Q

1984

Taxes in 1984 (millions)	Income before the following	Income from dispositions and minority interest	Pre-tax Income	Income Taxes	Net Income	Taxes as a % of Pre-Tax Income before the following
Canterra Energy	\$165.1		\$165.1	\$(119.1)	\$46.0	72.1
Kidd Creek Mines	41.1		41.1	(24.2)	16.9	58.9
Polysar Petrochemicals	13.4	\$ (7.0)	6.4	22.6	29.0	(168.7)
CDC Data Systems . . .	(63.9)	46.0	(17.9)	11.8	(6.1)	18.5
CDC Life Sciences . . .	6.8	13.4	20.2	0.9	21.1	(13.2)
Sentrol Systems	(1.0)		(1.0)	(0.5)	(1.5)	(50.0)
CDC Ventures	(0.8)		(0.8)		(0.8)	
Corporate	(54.8)		(54.8)	31.3	(23.5)	57.1
Total	\$105.9	\$52.4	\$158.3	\$ (77.2)	\$81.1	72.9

Financial Sensitivities (millions)

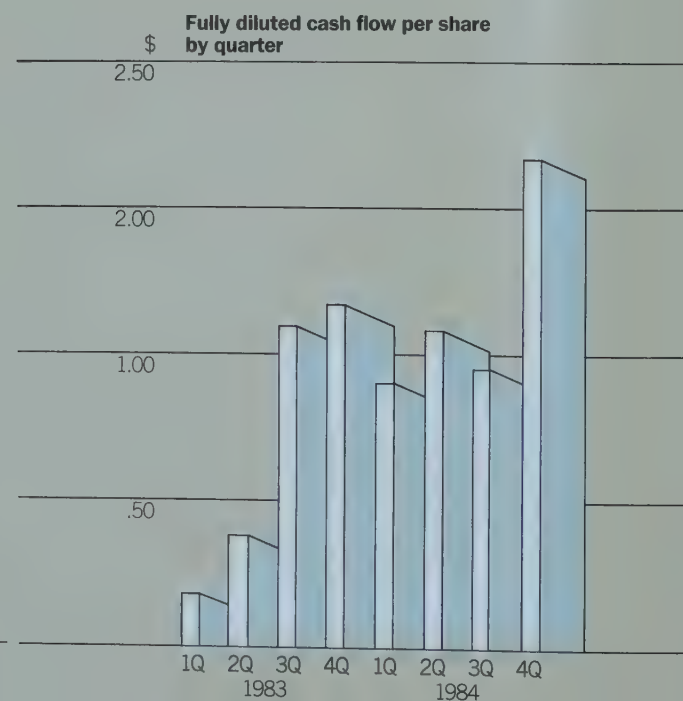
Variable	Average 1984	Change	Impact on Cash Flow	Impact on Earnings
Interest Rates				
LIBOR*	11.0%	1%	40.0	17.0
Cdn. Prime	12.0%	on all floating		
U.S. Prime	12.0%	rate debt		
Prices**				
Copper (\$/lb)	0.63	5¢/lb	16.0	10.0
Zinc (\$/lb)	0.47	5¢/lb	24.0	16.0
Silver (\$/oz)	8.25	\$1/oz	10.0	6.0
Potash (\$/tonne net of delivery)	50.40	\$10/tonne	3.2	2.1
Sulphur (\$/tonne)	89.29	\$1/tonne	1.9	0.3
Oil (\$/bbl)	33.63	\$1/bbl	4.3	1.5
Gas (\$/mcf)	3.02	5¢/mcf	2.2	0.9

*Average rate paid by CDC.

**Prices received by the company—U.S. except for oil and gas.

Sensitivities: CDC's financial results are sensitive to a number of economic and business factors. Because of the large amount of floating-rate debt, changes in interest rates can have a substantial effect on net income and free cash flow. Changes in prices and volumes of commodities sold by CDC's resource companies could also have a substantial impact on performance.

While real interest rates have declined in the past six months, there remains a distinct possibility they could decline even further this year.



Financial terms

Amortization involves spreading the cost of a large expenditure proportionately over a fixed period of time. Usually, it is done by treating a portion of the total cost of an asset as an expense and deducting this from revenue in calculating profit for a particular fiscal period. Amortization expense is not a cash cost.

Book value is the amount of the net assets (after deducting depreciation expense) shown on the balance sheet.

Capital indicates the total investment of shareholders in a business at a given time. It can be calculated by subtracting from the total assets all liabilities other than those of the owners. Capital can also mean all types of capital invested in a business, including long-term loans, deferred taxes, equity and retained earnings.

Capital asset This can be either of a tangible or intangible nature. Normally, capital assets are expected to be used or held over several fiscal periods.

Capital expenditure is the amount paid to acquire or add to a capital asset.

Capitalized expenses Capital expenditures usually involve more than the cost of acquiring or constructing a capital asset. For example, the interest on money borrowed during the period when construction takes place is often considered a cost of the asset and added to it.

Cash flow is the sum of net income and non-cash charges, such as depreciation, depletion and amortization.

Deferred income tax The accumulated amounts by which income taxes charged in the accounts have been increased (accumulated tax allocation credit) or decreased (accumulated tax allocation debit) as a result of timing differences.

Depletion is a non-cash expense that is deducted from revenue during a period in order to compute net income. Depletion generally involves the gradual using up or consumption of a natural resource, such as oil or natural gas.

Depreciation The cost of a fixed asset is usually expensed by a company over a period of time that it contributes to operations. Depreciation expense does not involve a cash outlay but is an attempt to match the cost of an asset with the actual goods and services it produces.

Equity value is the carrying value of an intercorporate investment. It is calculated by recording the investment at its cost and adjusting it regularly for the Corporation's proportionate share of earnings computed on a consolidated basis.

Fully diluted earnings per share CDC has issued two types of preferred shares—the Class B and 1980s—that are convertible into common shares. Fully diluted earnings per share are calculated by assuming that these two classes of preferred shares are converted into common shares.

Free cash flow This is cash flow available for capital expenditures and debt repayment after deducting all financing charges, including dividends and capitalized expenses, paid by CDC and its subsidiaries.

Minority interest This is the equity of shareholders in subsidiary companies in which CDC does not hold a 100% interest. Petrosar, CDC Life Sciences and Savin are examples of companies where shareholders, other than CDC, hold equity interests. CDC consolidates these companies in its financial statements and shows the minority interest portion as a claim on the balance sheet and as a deduction on the statement of income.

Retained earnings This is the portion of a company's net income which has been reinvested in the business. It is the accumulated profits since incorporation, less losses and dividends paid to shareholders.

Working capital This is the excess of current assets over current liabilities.

Other terms used by CDC companies

Bitumen is an extremely tarry form of oil that coats individual particles of sand in an ore body. It is extracted from ore, freed of impurities and upgraded to form what is known as synthetic crude oil.

Butyl rubber is a synthetic rubber made from two oil-derived petrochemicals—*isoprene* and *isobutylene*. Butyl rubber retains air better than other rubbers and resists degradation very well. It is used in tires, industrial belting, shock absorbers, roofing and reservoir liners, caulks and sealants, glazing tapes, chewing gum.

Conventional old oil prices (COOP) is a scheduled price of oil under government energy policy. It is limited to 75% of the world oil price and is now \$29.75 per barrel.

Enhanced oil recovery involves injection of water, natural gas, steam or chemicals into a depleted reservoir to force the remaining petroleum reserves into the well bore and to the surface.

Ethylene is a basic commodity in the petrochemical industry and is used for the manufacture of a wide spectrum of organic chemicals and polyethylene plastic.

Gross production is an oil company's portion of revenue or petroleum production before payment of royalties.

Latex is a milk-like emulsion of small particles of rubber suspended in water. It is used for carpet backings and underlay, mattresses and cushioning, paper coatings, and adhesives.

Naphtha is the general name for mixtures of hydrocarbons obtained from petroleum which are processed into several important petrochemicals such as ethylene, benzene, butadiene, propylene, isobutylene and isopentane.

Net production is a company's portion of revenue or petroleum production after payment of royalties.

New oil reference price (NORP) is the average of international prices for oil landed at Montreal. Oil qualifying for NORP is oil discovered after April 1, 1974, all enhanced recovery and experimental schemes, and any well not produced for three years or more. NORP is currently about \$40.20 per barrel.

Nitrile rubber is a synthetic rubber made from acrylonitrile and butadiene. It is used when oil or heat resistance is required in a finished product. For example, oil seals and gaskets, hoses, cable jacketing, printing rollers and footwear use nitrile rubber.

Polystyrene is a thermoplastic made from styrene monomer. It is one of the most versatile of plastics and used in literally thousands of articles including toys, tape reels, food packaging and insulation sheeting.

Potash is a word that is derived from the old method of producing potassium carbonate by bleaching wood ashes and evaporating the solutions collected in large iron pots. The white residue left in the pot was called "pot ash." Today, it has become the term widely applied to naturally occurring potassium salts and the commercial products derived from them.

Proven reserves are the portion of a resource reserve that has been established by development drilling and that is economically producible with present technology.

Sour gas is the term for natural gas that is contaminated with hydrogen sulphide or other sulphur compounds. These must be removed before gas can be used for commercial or domestic purposes.

Styrene is a petrochemical made from benzene and ethylene and used to make several large volume synthetic rubbers such as styrene-butadiene rubbers (SBR), as well as polystyrene resin.

Summary of Significant Accounting Policies

This summary of the significant accounting policies of Canada Development Corporation is presented to assist the reader of the financial statements. These accounting policies are in conformity with accounting principles generally accepted in Canada which are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation

The consolidated financial statements incorporate the financial position, operating results and changes in financial position of the Corporation and its subsidiary companies.

Foreign Currency Translation

Monetary assets and monetary liabilities of foreign integrated operations and long-term debt of the Corporation are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities are translated at the rates prevailing when they were acquired or incurred. Corresponding revenue and expenses, except depreciation, depletion and amortization, are translated at rates in effect during the year. Gains or losses resulting from this translation method are reflected in the consolidated statement of income except for those associated with the foreign exchange exposure of long-term debt which is effectively hedged by future U.S. dollar revenue streams. These exchange gains and losses are deferred during the period of the hedge.

Assets and liabilities of foreign operations deemed to be self sustaining are translated at the rate of exchange in effect at the balance sheet date. Corresponding revenue and expenses are translated at rates in effect during the year. Gains or losses resulting from this translation method are deferred until there is a reduction in the net investment in the foreign subsidiaries.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Long-Term Investments

The Corporation accounts for investments in companies over which it has significant influence on an equity basis. Other long-term investments are accounted for by the cost method.

Property, Plant and Equipment

(a) Cost

Property, plant and equipment are recorded at cost. Fixed asset additions include related financing costs incurred during major plant construction.

The Corporation follows the full cost method of accounting for oil, gas, and sulphur operations, whereby all costs of acquiring properties, exploring for and developing oil, gas and sulphur and related reserves are capitalized and accumulated in country-by-country cost centres. Such costs include land acquisition, drilling both productive and non-productive wells, overhead expenses and financing costs. The net carrying value of each cost centre is limited to the estimated value of future net revenues from recoverable reserves (based on current prices less operating costs and applicable taxes) plus the lower of cost or estimated fair value of unproved properties.

Expenditures on mining exploration projects are expensed pending determination of commercially recoverable reserves. Upon such determination, further expenses will be capitalized.

(b) Depreciation, Depletion and Amortization

Depreciation of plant and equipment is based on the estimated useful life of the assets from commencement of commercial production and is calculated on the straight-line, diminishing balance or unit-of-production basis as considered most appropriate.

For oil, gas and sulphur operations, depletion of cost centres with producing oil and gas properties is provided on the unit-of-production method based on proven reserves in each cost centre as determined by the Corporation. Costs of acquiring undeveloped properties in producing cost centres are included in the depletion calculation over their anticipated period of development. Costs of acquiring and evaluating the Canadian Frontier areas, including the Beaufort Sea, Arctic Islands and East Coast, will be transferred into cost centres subject to depletion over their anticipated period of development which varies between seven and fifteen years.

For mining properties, depletion is provided on the unit-of-production basis over the estimated lives of the mines.

Pre-Production and Deferred Expenditures

Expenditures incurred in connection with major new production facilities are deferred and amortized from commencement of production on the straight-line basis over a period generally not exceeding ten years.

Goodwill

Goodwill arising on acquisitions is being amortized over the expected period of benefit, not to exceed forty years. If it becomes apparent that the expected value will not be realized it will be appropriately written down.

Comparative Figures

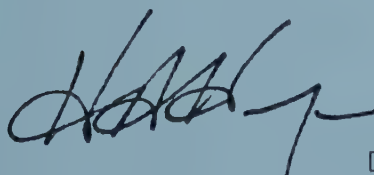
Certain 1983 figures have been reclassified to conform to 1984 presentation.

Consolidated Balance Sheet

Canada Development Corporation

	December 31	
ASSETS	1984	1983
	(millions)	
Current Assets		
Accounts receivable	\$ 741.9	\$ 739.0
Inventories (note 2)	805.5	798.0
Other current assets	20.9	20.1
	1,568.3	1,557.1
Long-Term Investments (note 3)	123.5	172.5
Property, Plant and Equipment (note 4)	5,611.7	5,551.5
Other Assets (note 5)	345.4	277.5
	\$7,648.9	\$7,558.6
LIABILITIES		
Current Liabilities		
Short-term loans	\$ 255.7	\$ 314.9
Accounts payable and accrued liabilities	661.9	574.8
Long-term debt due within one year	228.1	113.0
	1,145.7	1,002.7
Long-Term Debt (note 6)	4,271.1	4,448.9
Deferred Income Taxes (note 7)	434.4	329.5
Interests of Minority Shareholders (note 8)	607.6	625.8
	6,458.8	6,406.9
SHAREHOLDERS' EQUITY		
Capital Stock (note 9)	903.8	898.8
Retained Earnings	286.3	252.9
	1,190.1	1,151.7
	\$7,648.9	\$7,558.6

Approved on behalf of the Board

 Director

 Director

Consolidated Statement of Income

Canada Development Corporation

	Year ended December 31	
	1984	1983
	(millions)	
Revenue	\$4,180.9	\$3,834.7
Expenses		
Cost of sales.	3,136.0	2,960.7
Selling, administration and research	485.8	547.8
Interest on long-term debt	405.6	333.2
Other interest	50.9	51.5
	4,078.3	3,893.2
	102.6	(58.5)
Equity in earnings of other companies	3.3	21.3
Income (loss) before the undernoted	105.9	(37.2)
Income taxes (note 7)	(77.2)	(39.4)
Gains on sale of investments (note 10)	49.5	5.3
Minority interest	2.9	26.3
Net Income (Loss)	\$ 81.1	\$ (45.0)
Net income (loss) per common share after dividends on preferred shares	\$ 0.98	\$ (2.41)

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1984	1983
	(millions)	
Retained Earnings at Beginning of Year	\$252.9	\$340.4
Net income (loss)	81.1	(45.0)
	334.0	295.4
Dividends on preferred shares	45.8	40.8
Amortization of costs of preferred share issues	1.9	1.7
	47.7	42.5
Retained Earnings at End of Year	\$286.3	\$252.9

Consolidated Statement of Changes in Financial Position

Canada Development Corporation

	Year ended December 31	
	1984	1983
	(millions)	
Operations		
Net income (loss)	\$ 81.1	\$ (45.0)
Interest expense	456.5	384.7
	537.6	339.7
Non-cash items:		
Depreciation, depletion and amortization	346.4	305.8
Deferred income taxes	106.0	154.7
Minority interest	(2.9)	(26.3)
Decrease (increase) in equity in other companies . . .	10.2	(18.7)
Cash Flow Before Financing Costs	997.3	755.2
Financing Costs		
Interest payments and capitalized overhead costs	592.6	515.6
Dividends on preferred shares	45.8	40.8
Dividends to minority shareholders	39.0	37.5
	677.4	593.9
Free Cash Flow	319.9	161.3
Equity Financing		
Issue of capital stock	5.0	127.4
Net increase in investment by minority interest	16.3	7.7
	21.3	135.1
Cash Generated for Investment Activities and Repayment of Debt	341.2	296.4
Investment Activities		
Additions to property, plant and equipment	272.4	335.0
Changes in working capital other than cash	(75.9)	(132.1)
Investment in other companies (net of proceeds)	(42.6)	(66.5)
Additions to other assets	65.4	41.1
	219.3	177.5
Cash Generated During the Year	\$ 121.9	\$ 118.9
Cash (Applied to) Funded by:		
Short-term debt	\$ 55.9	\$ (26.9)
Long-term debt	(177.8)	(92.0)
	\$(121.9)	\$(118.9)

Notes to Consolidated Statements

Canada Development Corporation

1. Change in Accounting Policy

In 1984, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants for foreign currency translation. This change has been applied prospectively from January 1, 1984 and accordingly the previously reported consolidated balance sheet at December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended have not been restated. Current year's earnings have not been materially affected by the change.

2. Inventories

	1984	1983
	(millions)	
Finished goods	\$336.8	\$277.5
Raw materials and work in progress	389.7	388.3
Operating and maintenance supplies	79.0	132.2
	\$805.5	\$798.0

3. Long-Term Investments

	1984	1983
	(millions)	
Oil and gas (including captive insurance company)	\$ 43.9	\$ 41.5
Petrochemicals	43.2	42.4
Life sciences	12.0	8.4
Fisheries (interest bearing debenture)	8.0	12.8
Venture and expansion capital	16.4	49.1
Office information products	—	18.3
	\$123.5	\$172.5

4. Property, Plant and Equipment

	1984		1983	
	(millions)			
	Cost	Accumulated depreciation and depletion	Net	Net
Resource				
Oil and gas	\$3,402.2	\$ 471.5	\$2,930.7	\$2,791.3
Petrochemicals	1,913.4	558.7	1,354.7	1,421.9
Mining	1,282.5	147.8	1,134.7	1,168.1
	6,598.1	1,178.0	5,420.1	5,381.3
Non-resource	380.4	188.8	191.6	170.2
	\$6,978.5	\$1,366.8	\$5,611.7	\$5,551.5

Included in these assets are the Canadian Frontier properties which approximate \$529.0 million (1983, \$664.3 million) after transferring \$227.6 million to costs subject to depletion in future years.

Included in additions to property, plant and equipment is \$136.1 million (1983, \$130.9 million) of capitalized overhead and financing costs.

5. Other Assets

	1984	1983
	(millions)	
Pre-production and deferred expenses	\$219.8	\$165.0
Goodwill	54.7	57.0
Cost of long-term financings	24.8	25.8
Long-term receivables	46.1	29.7
	\$345.4	\$277.5

Included in pre-production and deferred expenses is \$90.4 million relating to Savin Corporation's development of its 8000 series of photocopiers, the recovery of which is subject to the commercial introduction and marketability of these products.

During the next five fiscal years, pre-production and deferred expenses and goodwill are expected to be amortized to income at the rate of \$43.9 million annually.

6. Long-Term Debt

	1984	1983
	(millions)	
Canada Development Corporation		
Floating rate syndicated loan, secured, repayable in equal instalments 1987 through 1991 (United States dollars)	\$2,774.9	\$2,613.3
4.375% Notes, due 1985 (Swiss francs)	167.7	144.0
Convertible subordinated debentures, due 1990	1.8	2.1
8% Notes, due 1992	10.9	8.3
Subordinated debentures, due 1993 (United States dollars)	80.3	75.7
Income debentures, due 1984 (United States dollars)	—	74.7
	3,035.6	2,918.1

	1984	1983
	(millions)	
CDC Data Systems Limited		
AES Data Inc.		
11.75% Mortgage, due 2004	1.3	1.3
Floating rate multi-currency bank loans due 1985 and 1989	48.6	26.5
Other	0.2	0.3
Savin Corporation		
In United States dollars		
11.38% Subordinated debentures, due 1998	77.6	73.0
14% Subordinated debentures, due 2000	49.1	46.0
9.6% average rate, Industrial Development Bonds, repayable through 2001	19.5	22.3
4% to 13.3% Mortgages, repayable through 1999	5.3	5.5
16.7% average rate, capitalized lease obligations, expiry through 1987	19.5	6.1
Royalties payable	12.2	12.1
Customer prepayments	8.1	2.4
Long-term payables	22.7	23.8
Other	14.3	11.8
	278.4	231.1
CDC Life Sciences Inc.		
8% Mortgages, repayable through 1997 (United States dollars)	4.3	3.8
9.25% Mortgage, repayable through 1985 (United States dollars)	2.7	2.4
Other	4.5	2.4
	11.5	8.6
Canterra Energy Ltd.		
Floating rate bank loans, due 1986 to 1991 (United States dollars)	320.3	353.3
Floating rate bank loans, due 1990 to 1992	90.8	23.7
11.25% Notes, due 1985 (United States dollars)	39.6	37.3
10.25% Mortgage, due 1995	14.0	14.2
5.75% Notes, due 1986 (Swiss francs)	32.4	28.5
Customer prepayments	41.3	39.3
Other	1.5	1.4
	539.9	497.7
Kidd Creek Mines Ltd.		
Floating rate bank loans, due 1987 to 1993 (United States dollars)	102.5	175.3
10% Debentures, due 1986	15.0	17.0
Other	1.6	3.3
	119.1	195.6
Petrosar Limited		
Floating rate bank loans, due 1985 to 1989	100.0	100.0
Customer prepayments	49.4	—
	149.4	100.0
Polysar Limited		
Floating rate term loan, due 1992	50.0	50.0
Floating rate term loan, due 1986 through 1995	24.7	20.0
7.5% Sinking fund debentures, due 1987	5.8	6.3
9% Sinking fund debentures, due 1993	25.3	27.4
In United States dollars		
9.5% Debentures, due 1986	64.8	62.2
Floating rate term loans, repayable 1985 through 1988	93.0	103.0
6.95% average rate, Notes and mortgages repayable through 2003	10.4	10.7
Capitalized lease obligations, expiring through 1985	1.8	3.3
In other currencies		
Floating rate term loan, repayable 1985 through 1993 (French francs)	15.2	19.8
Floating rate multi-currency term loan, due 1986 through 1992	372.7	373.4
13.5% Loan, due 1987 through 1991 (Dutch guilders)	11.7	12.8
Other	20.1	7.0
	695.5	695.9
Long-term debt at current rates of translation	4,829.4	4,647.0
Less adjustment for foreign currency revenue hedge	330.2	85.1
Less principal due within one year	228.1	113.0
	\$4,271.1	\$4,448.9

i) The floating rate syndicated loan of U.S. \$2,100.0 million bears interest at a rate of one-half of one percent over the London Interbank Offered Rate (LIBOR) until July 30, 1986 and five-eighths of one percent over LIBOR thereafter. It is secured by shares and notes of the Corporation's oil and gas subsidiary.

The agreement relating to this loan requires the Corporation to maintain certain financial measurements which at December 31, 1984, have been adhered to by the Corporation.

- ii) The total sinking fund requirements and long-term debt due in each of the next five fiscal years are as follows:
- | | |
|-----------------------|-----------------------|
| 1985 \$228.1 million; | 1988 \$691.6 million; |
| 1986 \$305.6 million; | 1989 \$641.9 million. |
| 1987 \$674.8 million; | |

iii) For comparative purposes only, the 1983 amounts have been restated to current rates.

7. Income Taxes

The provision for income taxes in the consolidated statement of income reflects an income tax rate which differs from the Canadian corporate tax rate for the following reasons:

	1984	1983
	(millions)	
Income (loss) before income taxes	\$105.9	\$(37.2)
Income tax provision at expected rates of 51.0%	\$ 54.0	\$(18.9)
Increase (decrease) in taxes resulting from:		
Non-allowable depletion and depreciation	39.3	38.5
Non-deductible crown charges net of allowances	36.9	43.4
Foreign subsidiaries taxed at different rates	(32.1)	(23.3)
Losses of subsidiaries not recognized	9.9	26.7
Earned depletion	(7.7)	(14.8)
Investment tax credits	(7.5)	(3.4)
Inventory allowance	(6.9)	(7.6)
Other	(8.7)	(1.2)
Income tax provision	\$ 77.2	\$ 39.4
Current	\$ 14.1	\$(83.2)
Deferred	63.1	122.6
	\$ 77.2	\$ 39.4

8. Interests of Minority Shareholders

	1984	1983
	(millions)	
Preferred equity		
Petrosar		
Class A	\$300.0	\$300.0
Class B	89.1	118.1
Class C	2.0	2.0
Polysar		
First Preferred	44.2	44.2
Polysar Holdings (a subsidiary)	85.0	85.0
CDC Life Sciences		
Class A	5.0	5.0
Connaught Laboratories (a subsidiary)	18.0	21.8
CDC Data Systems		
Savin Corporation (a subsidiary)	15.9	15.0
	559.2	591.1
Common equity	48.4	34.7
	\$607.6	\$625.8

- i) Petrosar's Class A redeemable preference shares bear a cumulative dividend at an annual rate of 1.35% plus 52% of the average of certain Canadian banks prime rates. Of these shares, \$180 million are redeemable in 1985 and \$60 million are redeemable in 1986 and 1987.

Petrosar's 2,800,000 Class B preference shares of which Polysar holds 1,344,000, are redeemable at their par value of \$1 each only after dividends have been paid aggregating \$100 per share plus 60 cents for each month that the shares have been outstanding.

The Class B shares are issued pursuant to an agreement whereby certain shareholders, including Polysar, have agreed to provide Petrosar with sufficient funds to enable it to pay the dividend on the Class A preference shares if Petrosar is unable to pay such dividends and to purchase these shares if not redeemed as scheduled. Polysar's portion of such obligation is 48%. No Class B shares were issued by Petrosar during 1984.

Petrosar's Class C shares are redeemable at their par value of \$100 per share. Dividends on these shares have been waived until June 1, 1985.

- ii) Polysar's \$44.2 million First Preferred Shares bear a cumulative dividend of 15.5%. During each month beginning April 1982, Polysar is obligated to purchase for cancellation 10,000 First Preferred Shares if and to the extent that they are available for purchase at prices not exceeding \$25 per share. Polysar is further obligated to repurchase the First Preferred Shares July 1, 1987. First Preferred Shares are not redeemable prior to July 1, 1985, but thereafter, will be redeemable at the option of Polysar at a redemption price of \$27 per share reducing thereafter to \$25 per share.

There are no voting rights attached to preferred shares unless dividends are eight quarters in arrears.

Polysar Holdings' \$85 million redeemable preferred shares bear a cumulative dividend of 1.25% plus one-half the prime rate of a Canadian bank. Redemptions are required to be made in equal annual amounts from 1986 through 1988 inclusive.

- iii) CDC Life Sciences' \$5 million Class A preferred shares bear a dividend of 2%, plus one-half the prime rate of a Canadian bank. The shares are redeemable at the option of CDC Life Sciences at \$25 per share until September 30, 1991.

Connaught Laboratories' \$18.0 million redeemable preferred shares bear a cumulative dividend of 1% plus one-half the prime rate of a Canadian bank. These shares are redeemable in equal annual amounts of \$3 million through 1986, with the balance redeemable in 1987.

- iv) Savin Corporation's 673,750 U.S. \$1.50 Series A cumulative preferred shares are convertible into one share of Savin's common stock and are entitled to U.S. \$20 per share upon voluntary or involuntary liquidation. The shares are redeemable after June 1, 1986, at the option of Savin, at U.S. \$20 per share.

9. Capital Stock

i) Authorized		
Preferred		
\$1,000,000,000 divided into shares with a par value in any multiple of \$5 not exceeding \$1,000 each.		
Common		
200,000,000 shares without par value.		
	1984	1983
ii) Issued		(millions)
Preferred		
5,000,000 cumulative, redeemable, retractable senior preferred shares, 1983 issue of the par value of \$25 each	\$125.0	\$125.0
1,325,759 8% cumulative, redeemable, convertible, voting Class B preferred shares of \$100 each	132.6	132.6
15,000,000 7.60% cumulative, redeemable, convertible, voting 1980 preferred shares of \$20 each	300.0	300.0
Common		
36,724,803 shares (1983, 35,688,360 shares)	346.2	341.2
	\$903.8	\$898.8

The 1983 senior preferred shares carry the right to receive preferred cumulative dividends at an annual rate equal to the greater of Cdn. \$2.35 per share and the Canadian dollar equivalent of U.S. \$1.92 per share based on the prevailing rate of exchange for the United States and Canadian dollar on the record date for the payment of each dividend or if no such record date is set, on the date such dividend should have been paid in accordance with the share condition. Dividends on these shares are payable in Canadian currency or, at the request of their holders, in U.S. currency. These shares are redeemable at the option of the holder on June 1, 1990 at par plus accrued and unpaid dividends. These shares are not redeemable by the Corporation until after June 1, 1990. The holders of the 1983 senior preferred shares are not entitled to notice of or to attend or vote at meetings of shareholders. Each 1983 senior preferred share carries one currency purchase warrant which entitles the holder to purchase on June 1, 1990 the sum of U.S. \$20.39 on payment of the sum of Cdn. \$25.00.

The Class B preferred shares are redeemable at par at the option of the holder from October 2, 1985 through October 1, 1986. They have been redeemable at the option of the Corporation since October 2, 1980 at \$105 per share, reducing by \$1 per year until October 2, 1985 when they become redeemable at \$100 per share. Each Class B preferred share may be converted at any time at the option of the holder into ten common shares.

The 1980 preferred shares are redeemable from October 15, 1983 to October 14, 1985, at the option of the Corporation at \$21.20 per share, if the common shares trade for a specified period at not less than 125% of the conversion price of \$15.75. From October 15, 1985 they are redeemable at the option of the Corporation at \$21.20 per share reducing by 20¢ per year until October 15, 1990 when they become redeemable at \$20 per share. Each 1980 preferred share may be converted at the option of the holder into 1.27 common shares at any time until October 15, 1990.

At meetings of shareholders, holders of Class B preferred shares are entitled to ten votes per share and holders of the 1980 preferred and the common shares are entitled to one vote per share.

iii) Issued and redeemed during the year

1,036,437 common shares were issued for an aggregate consideration of \$5.0 million under the Shareholder Dividend Reinvestment, Stock Dividend and Share Purchase plans.

iv) Common shares reserved

At December 31, 1984, common shares were reserved for issuance as follows:

Conversion of Class B preferred shares	13,257,590
Conversion of 1980 preferred shares	19,050,000
Dividend Reinvestment, Stock Dividend and Share Purchase plans	103,402
Convertible Subordinated Debentures	176,428
	32,587,420

v) Net income per common share

Net income per common share is based on the weighted average number of shares outstanding during the year. Fully diluted net income per common share is not significantly different from basic net income per common share.

10. Gains on Sale of Investments

	1984	1983
		(millions)
Wordplex Information Systems plc	\$ 11.9	\$ —
Delphax Systems	27.8	—
CDC Life Sciences Inc	21.2	—
Dumex Ltd.	—	5.3
Pre-tax gain (proceeds \$122.0 million; 1983, \$33 million)	60.9	5.3
Deferred income taxes	(11.4)	—
	\$ 49.5	\$ 5.3

11. Litigation

The Corporation and certain of its subsidiaries have been named as defendants in various legal proceedings. These proceedings are being contested and it is not possible at this time to predict their ultimate outcome. Accordingly, no provision for liability, if any, has been made in the financial statements.

12. Segmented Information

i) Industry segments

The Corporation operates in the following industry segments:

(millions)	Petrochemicals		Oil & Gas		Mining	
	1984	1983	1984	1983	1984	1983
Sale of products and services	\$2,176.3	\$2,063.0	\$ 566.7	\$ 468.4	\$ 543.1	\$ 476.8
Interest and other income						
Total revenue						
Segment operating profit (loss)	\$ 74.8	\$ 29.1	\$ 287.1	\$ 197.0	\$ 136.2	\$ 107.2
Corporate expenses						
Interest expense						
Equity in earnings (losses) of other companies	\$ 2.8	\$ 3.5	\$ —	\$ 12.1		
Gains on sale of investments						
Interest and other income						
Translation gains (losses)						
Income taxes						
Minority interest						
Net income (loss)						
Identifiable assets	\$2,338.2	\$2,287.8	\$3,175.1	\$3,025.7	\$1,321.9	\$1,378.8
Corporate assets						
Total assets						
Capital expenditures	\$ 68.1	\$ 135.5	\$ 265.8	\$ 266.0	\$ 32.5	\$ 37.7
Depreciation, depletion and amortization	\$ 86.3	\$ 78.9	\$ 134.0	\$ 121.3	\$ 54.8	\$ 52.0

ii) Geographic Segments

The Corporation considers its three geographic segments to be Canada, the United States, and Europe and the rest of the world. Financial information with respect to these segments is as follows:

(millions)	Canada		United States		Europe and Rest of World	
	1984	1983	1984	1983	1984	1983
Sale of products and services	\$1,907.8	\$1,761.8	\$1,401.5	\$1,236.0	\$ 769.6	\$ 727.8
Transfers between geographic segments	380.9	330.4	29.9	30.3	36.4	24.6
Interest and other income						
Total revenue	\$2,288.7	\$2,092.2	\$1,431.4	\$1,266.3	\$ 806.0	\$ 752.4
Segment operating profit	\$ 244.0	\$ 119.1	\$ 47.3	\$ 8.4	\$ 172.3	\$ 115.6
Corporate expenses						
Interest expense						
Equity in earnings of other companies						
Gains on sale of investments						
Interest and other income						
Translation gains (losses)						
Income taxes						
Minority interest						
Net income (loss)						
Identifiable assets	\$6,136.1	\$6,104.1	\$1,097.2	\$ 937.3	\$ 277.6	\$ 310.0
Investments in other companies						
Corporate assets						
Total assets						

Transfers between geographic segments are accounted for at prices comparable to open market prices. Canadian operations include export sales of \$876.6 million (1983, \$682.8 million).

iii) Research and Development

Research and development expenditures charged to income amounted to \$70.5 million (1983, \$76.2 million).

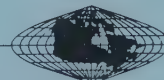
Office Information Products		Life Sciences		Industrial Automation		Fishing		Venture Capital		Consolidated	
1984	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
\$ 666.8	\$ 613.1	\$ 93.9	\$ 79.4	\$ 32.1	\$ 24.9					\$ 4,078.9	\$ 3,725.6
										102.0	109.1
										\$ 4,180.9	\$ 3,834.7
\$ (35.2)	\$ (101.3)	\$ 2.6	\$ 9.6	\$ (0.4)	\$ (4.2)			\$ (1.2)	\$ 6.1	\$ 463.9	\$ 243.5
										(10.2)	(13.0)
										(456.5)	(384.7)
\$ —	\$ 1.6	\$ 1.0	\$ 1.0			\$ —	\$ (10.7)	\$ (0.5)	\$ 13.8	3.3	21.3
										49.5	5.3
										102.0	109.1
										3.4	(13.4)
										(77.2)	(39.4)
										2.9	26.3
										\$ 81.1	\$ (45.0)
\$ 628.0	\$ 628.6	\$ 106.6	\$ 94.1	\$ 35.2	\$ 36.6	\$ 8.0	\$ 12.8	\$ 14.8	\$ 49.1	\$ 7,627.8	\$ 7,513.4
										21.1	45.2
										\$ 7,648.9	\$ 7,558.6
\$ 84.9	\$ 21.6	\$ 7.8	\$ 5.0	\$ 0.4	\$ 0.1					\$ 459.5	\$ 465.9
\$ 62.0	\$ 45.9	\$ 3.6	\$ 3.4	\$ 0.9	\$ 2.3					\$ 341.6	\$ 303.8

Eliminations		Consolidated	
1984	1983	1984	1983
		\$ 4,078.9	\$ 3,725.6
\$ (447.2)	\$ (385.3)		
		102.0	109.1
\$ (447.2)	\$ (385.3)	\$ 4,180.9	\$ 3,834.7
\$ 0.3	\$ 0.4	\$ 463.9	\$ 243.5
		(10.2)	(13.0)
		(456.5)	(384.7)
		3.3	21.3
		49.5	5.3
		102.0	109.1
		3.4	(13.4)
		(77.2)	(39.4)
		2.9	26.3
		\$ 81.1	\$ (45.0)
\$ (6.6)	\$ (10.5)	\$ 7,504.3	\$ 7,340.9
		123.5	172.5
		7,627.8	7,513.4
		21.1	45.2
		\$ 7,648.9	\$ 7,558.6

Auditors' Report

**THORNE
RIDDELL**

Chartered Accountants



To the Shareholders of
Canada Development Corporation

We have examined the consolidated balance sheet of Canada Development Corporation as at December 31, 1984 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1984 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 15, 1985

Thorne Riddell

TEN YEAR FINANCIAL SUMMARY



ADRIAN C. KEUKENS

Statistical process control has been widely practised by the Japanese and, in recent years, by North American automobile companies. Adrian introduced this concept to Polysar's North and South American rubber division. SPC allows Polysar to be more responsive to its customers' needs as well as improving the efficiency of its manufacturing processes.

		1984	1983
NET INCOME			
Revenues	Sales of products and services	\$4,078.9	\$3,725.6
	Other income	102.0	109.1
		4,180.9	3,834.7
Expenses	Cost of sales	3,136.0	2,960.7
	Selling, administration and research	485.8	547.8
	Interest on long-term debt	405.6	333.2
	Other interest	50.9	51.5
		4,078.3	3,893.2
		102.6	(58.5)
	Equity in earnings of other companies	3.3	21.3
	Income (loss) before the undernoted	105.9	(37.2)
	Income taxes	(77.2)	(39.4)
	Gains on sale of investments	49.5	5.3
	Minority interest in income of subsidiary companies	2.9	26.3
	Net income (loss)	\$ 81.1	\$ (45.0)
FINANCIAL POSITION			
Assets	Working capital	\$ 422.6	\$ 554.4
	Fixed assets (net)	5,611.7	5,551.5
	Long-term investments	123.5	172.5
	Other assets	345.4	277.5
		6,503.2	6,555.9
Liabilities	Long-term debt	4,271.1	4,448.9
	Deferred income taxes	434.4	329.5
	Interests of minority shareholders	607.6	625.8
		5,313.1	5,404.2
Shareholders' Equity	Preferred equity	557.6	557.6
	Common equity	632.5	594.1
		\$1,190.1	\$1,151.7
CHANGES IN FINANCIAL POSITION			
Derived from	Cash flow before financing charges	\$ 997.3	\$ 755.2
	Financing charges	(677.4)	(593.9)
	Free cash flow	319.9	161.3
	Other sources of funds	235.6	429.4
		555.5	590.7
Applied to	Investments	1.6	21.9
	Capital expenditures	323.5	373.2
	Other uses of funds	362.2	300.8
	Changes in working capital	(131.8)	(105.2)
		\$ 555.5	\$ 590.7
STATISTICS			
Per common share	Earnings (loss)	\$0.98	\$(2.41)
	Fully diluted earnings		
	Free cash flow	\$8.84	\$4.54
	Fully diluted free cash flow	\$5.16	\$2.87
Ratios	Return on common equity	5.8%	
	Working capital ratio	1.4:1	1.6:1
	Debt/equity ratio	3.6:1	3.9:1
Other	Common shares outstanding at year-end	36,724,803	35,688,366

1982	1981	1980	1979	1978	1977	1976	1975
\$3,805.2	\$3,034.7	\$2,305.7	\$1,965.9	\$1,342.1	\$ 741.2	\$ 595.6	\$ 469.6
148.1	86.7	53.5	49.0	23.3	15.3	13.7	13.1
3,953.3	3,121.4	2,359.2	2,014.9	1,365.4	756.5	609.3	482.7
3,033.7	2,437.9	1,792.9	1,529.0	1,087.5	580.0	471.8	373.2
574.2	344.5	262.1	244.5	154.2	100.7	92.4	80.7
390.8	164.8	39.1	37.6	29.9	17.4	9.7	10.3
82.7	59.7	38.7	19.5	16.7	10.0	8.5	7.8
4,081.4	3,006.9	2,132.8	1,830.6	1,288.3	708.1	582.4	472.0
(128.1)	114.5	226.4	184.3	77.1	48.4	26.9	10.7
7.9	70.6	102.3	43.4	14.4	13.4	14.1	27.5
(120.2)	185.1	328.7	227.7	91.5	61.8	41.0	38.2
37.6	(47.2)	(81.8)	(63.7)	(22.1)	(19.2)	(12.1)	(8.4)
	12.6				(7.8)	0.4	(1.5)
(43.2)	(65.4)	(57.8)	(40.6)	(26.1)	(6.0)	(4.6)	(3.2)
\$ (125.8)	\$ 85.1	\$ 189.1	\$ 123.4	\$ 43.3	\$ 28.8	\$ 24.7	\$ 25.1
\$ 659.6	\$ 784.1	\$ 616.9	\$ 430.7	\$ 412.6	\$ 69.4	\$ 89.5	\$ 157.1
5,359.7	4,839.9	1,311.9	1,149.2	1,081.6	1,032.0	766.3	502.8
220.1	154.6	686.7	509.3	420.9	404.6	403.8	352.3
269.9	209.2	161.3	139.2	130.4	91.1	57.7	41.7
6,509.3	5,987.8	2,776.8	2,228.4	2,045.5	1,597.1	1,317.3	1,053.9
4,540.9	3,862.0	609.3	539.9	500.5	687.3	471.9	253.7
174.6	220.9	174.5	101.8	51.4	39.4	29.1	21.5
681.9	634.8	674.0	734.4	745.7	146.9	102.7	73.2
5,397.4	4,717.7	1,457.8	1,376.1	1,297.6	873.6	603.7	348.4
432.6	432.6	538.2	244.8	244.8	244.8	244.8	242.5
679.3	837.5	780.8	607.5	503.1	478.7	468.8	463.0
\$1,111.9	\$1,270.1	\$1,319.0	\$ 852.3	\$ 747.9	\$ 723.5	\$ 713.6	\$ 705.5
\$ 642.9	\$ 543.2	\$ 409.1	\$ 324.5	\$ 188.8	\$ 121.7	\$ 83.6	\$ 56.8
(801.2)	(422.0)	(157.2)	(135.4)	(112.2)	(96.8)	(68.1)	(39.4)
(158.3)	121.2	251.9	189.1	76.6	24.9	15.5	17.4
773.5	2,670.1	480.4	114.4	854.3	271.1	272.4	328.0
615.2	2,791.3	732.3	303.5	930.9	296.0	287.9	345.4
14.0	1,928.2	113.3	56.2	18.7	7.4	47.6	107.8
545.9	472.5	244.8	123.6	83.5	257.3	266.2	183.2
179.9	223.3	188.0	105.6	485.5	51.3	41.7	25.7
(124.6)	167.3	186.2	18.1	343.2	(20.0)	(67.6)	28.7
\$ 615.2	\$2,791.3	\$ 732.3	\$ 303.5	\$ 930.9	\$ 296.0	\$ 287.9	\$ 345.4
\$(4.52)	\$1.46	\$5.13	\$3.42	\$0.84	\$0.37	\$0.24	\$0.54
	\$1.25	\$3.52	\$2.45	\$0.78			
\$(4.50)	\$3.52	\$7.74	\$6.09	\$2.49	\$0.81	\$0.50	\$0.57
	\$2.30	\$5.15	\$4.17	\$1.83	\$0.76		
	6.2%	24.1%	19.1%	5.3%	2.4%	1.6%	3.6%
1.6:1	1.7:1	1.9:1	1.7:1	1.8:1	1.1:1	1.3:1	1.7:1
4.1:1	3.0:1	0.5:1	0.6:1	0.7:1	1.0:1	0.7:1	0.4:1
35,382,010	35,036,918	32,929,400	32,161,336	30,712,170	30,712,158	30,712,038	30,712,038

ALBERT TORDJMAN

During the second half of 1984, AES' sales increased significantly—the result of the strong acceptance of new products in the marketplace. This increase in sales might have resulted in bottlenecks in the company's manufacturing operations without Albert Tordjman. He joined AES as an assembler in 1973 and is now an assembly supervisor charged with managing 40 people. His management skills were put to the test: he emphasized training and teamwork, as well as skillfully reassigning people to meet critical needs. The results: AES managed to achieve a record month for shipments in December.



INVESTOR INFORMATION

CDC Equity

CDC has four classes of shares, three of which entitle their holders to vote at shareholders' meetings.

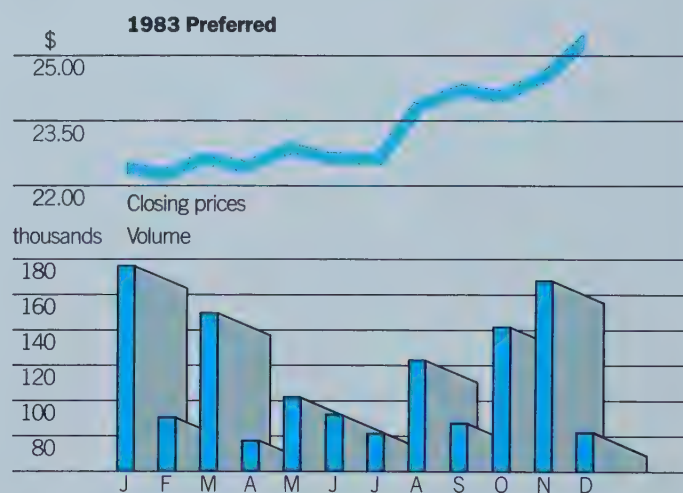
Common shares: At the end of 1984, there were 36,724,803 common shares outstanding which were registered in the name of 13,937 Canadian citizens or residents. The Government of Canada owns 30,711,990 common shares, representing 83.6% of those outstanding and carrying 47.3% of the votes at shareholders' meetings. During 1984, 3,006,292 common shares were traded on stock exchanges, representing 49.9% of those available for trading. Share prices fluctuated from a high of \$7.00 in March to a low of \$3.65 in July, closing the year at \$6.00.

Class B preferred shares: The Corporation had outstanding 1,325,759 Class B preferred shares at the end of 1984, which were registered in the names of 9,929 Canadian citizens or residents. Each Class B share carries 10 votes at shareholders' meetings, and is convertible at any time, at the holder's option, into 10 common shares. A quarterly dividend of \$2 is paid on the first of January, April, July and October. Class B shares are redeemable at the option of their holders at the original issue price of \$100 (par value) each from October 2, 1985, to October 1,

1986. During 1984, 469,631 Class B shares were traded, representing 35.4% of those outstanding. The price of a Class B share reached a high of \$99 in December and a low of \$91.00 in February, closing at \$99.00.

1980 preferred shares: At the end of the past year, a total of 19,193 Canadian citizens or residents held 15,000,000 of the 1980 preferred shares. Each 1980 preferred share carries one vote and is convertible at the option of the holder until October 15, 1990, into 1.27 common shares for each 1980 share. Based on the issue price of \$20, the effective conversion price is \$15.75 per common share. Each 1980 preferred share pays a quarterly dividend of 38 cents on the first of February, May, August and November. During 1984, 4,653,409 of the 1980 preferred shares were traded, representing 31.02% of those outstanding. The high price for the year was \$15.875 in December while a low of \$11.875 was recorded in July, closing at \$15.50.

1983 senior preferred shares: There were 5,348 registered holders of 5,000,000 non-voting 1983 Senior preferred shares. Each of these shares carries a non-detachable warrant which entitles its holder to purchase, on June 1, 1990, the sum of \$20.39 (U.S.) on payment of \$25 (Canadian). A quarterly cash dividend—payable on the first of March, June, September and December—is paid at a rate equal to the greater of 58.75 cents (Canadian) per share and the Canadian dollar equivalent of 48 cents (U.S.) per share based on the prevailing rate of exchange between the two currencies on the record date. The dividend is payable in Canadian currency or, if required by the holder, in United States dollars. During 1984, the shares traded at a high of \$25.25 in December and a low of \$21.75 in January, closing at \$25.25. There were 1,370,456 shares traded, representing 27.4% of the total outstanding.



D. J. LANDRY

Rubber was building up in a conveyor at Polysar's plant in Orange, Texas, causing machinery to plug and necessitating frequent downtime for cleaning. "D.J." Landry, an hourly worker in Polysar's butadiene rubber department, suggested placing side plates on the conveyor housing. His solution eliminated the buildup and saves Polysar \$175,000 a year by eliminating down time as well as enhancing the production of a more consistent grade of rubber.

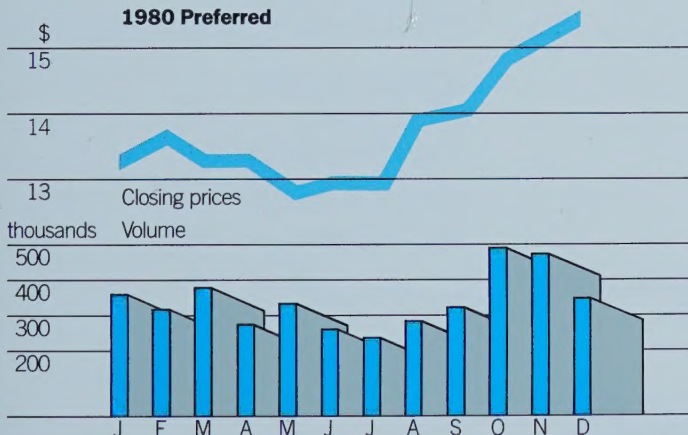
Listing and Transfer Agent

CDC common, Class B and 1980 preferred shares are listed on the Montreal, Toronto and Vancouver stock exchanges. CDC's 1983 Senior preferred shares trade on the Toronto Stock Exchange. The transfer agent for all classes of shares is National Victoria and Grey Trust Company at its principal offices in Vancouver, Calgary, Winnipeg, Toronto and Montreal, and its agent, Royal Trust Company, at its principal office in Halifax. CDC maintains its own shareholder records and pays all dividends directly to shareholders. Changes of address and questions on dividends should be directed to CDC's Shareholder Services Department.

Shareholder Investment Program

CDC has an investment program which offers its shareholders three convenient plans for purchasing additional common shares through reinvestment of dividends, stock dividends and cash contributions. The program has a number of advantages and, to help explain these and how to participate, a detailed offering circular is available from Shareholder Services Department, Canada Development Corporation, 444 Yonge Street, Suite 200, Toronto, Ontario, M5B 2H4 (Phone: 416-598-7300).

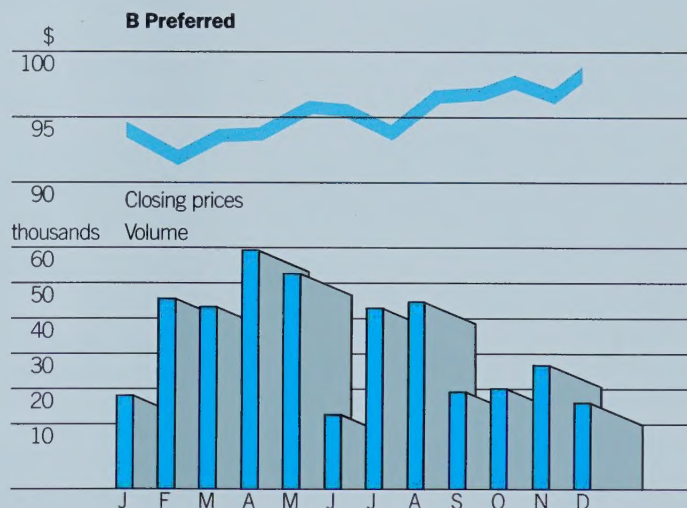
The shareholder investment program continues to be well received by CDC shareholders. At year end, 5,626 shareholders were participating in at least one of the three plans, representing 16.3% of all registered holders. Under the program, CDC issued 1,036,437 new common shares in 1984 for a total consideration of \$5.0 million. The



average price paid by shareholders reinvesting their dividends was \$5.06 per share while the value of shares issued as stock dividends or purchased with cash contributions was \$5.33.

Other Information for Shareholders

CDC regularly provides its shareholders with information about its operations. The annual report is available in April, while quarterly reports are issued about six weeks after the end of each quarter. Some CDC companies publish annual and quarterly reports. Additional news is often disseminated to shareholders through special mailings and press announcements. At least one month prior to CDC's annual meeting—usually held on the third or fourth Thursday in May—shareholders receive a notice of meeting, information circular and proxy card. The Corporation also carries out a regular communications program with stock market analysts and investment dealers in order to assist them in keeping our shareholders informed. In some cases, investment dealers or banks will hold shares in their name on behalf of their customers. When this happens, published material often is not received by shareholders. Copies of CDC publications can be obtained by writing to the Director, Public Affairs and Communications, 444 Yonge Street, Suite 200, Toronto, Ontario, M5B 2H4



SUZANNE BEAUDRY



Revenues at Nordic nearly doubled during 1984 and that required a revamping of the company's internal information programs. Having acquired a range of new skills on her own initiative, she was able to train over 30 Nordic employees on the company's newly installed office automation equipment – the AES 7300 – and a number of micro computers that handle data processing. Suzanne, previously a cost accounting clerk, was promoted to Co-ordinator, computer training and development.

CORPORATE INFORMATION

Honourary Chairman and Director Emeritus

A. JOHN ELLIS
Vancouver, British Columbia

DIRECTORS

PHILLIPPE DE GASPÉ BEAUBIEN⁽³⁾
Chairman & Chief Executive Officer
TELEMEDIA Canada Corporation
Montreal, Québec

LAURENT BEAUDOIN⁽¹⁾
Chairman & Chief Executive Officer
Bombardier Inc.
Montreal, Québec

JOHN BRUK
Chairman
Asia Pacific Foundation of Canada
Vancouver, British Columbia

PIERRE CÔTÉ⁽¹⁾
Chairman of the Board
Celanese Canada Inc.
Montreal, Québec

H. ANTHONY HAMPSON⁽¹⁾
President & Chief Executive Officer
Canada Development Corporation
Toronto, Ontario

GORDON F. HUGHES⁽³⁾
Chairman
Ocean Company Limited
Windsor, Ontario

MURRAY B. KOFFLER⁽³⁾
Chairman
Shoppers Drug Mart Limited
Willowdale, Ontario

MRS. MARY LAMONTAGNE⁽²⁾
Corporate Director
Québec City, Québec

SYDNEY MAISLIN⁽²⁾
Corporate Director
Montreal, Québec

PAUL E. MARTIN
President & Chief Executive Officer
The CSL Group Inc.
Montreal, Québec

JOHN R. McCAIG⁽¹⁾
Chairman & Chief Executive Officer
Trimac Limited
Calgary, Alberta

WILLIAM C. Y. MCGREGOR⁽²⁾
Corporate Director
Winnipeg, Manitoba

J. WILLIAM E. MINGO, Q.C.⁽²⁾
Partner
Stewart, MacKeen & Covert
Halifax, Nova Scotia

MAURICE J. MOREAU⁽²⁾
Corporate Director
Victoria, British Columbia

JOHN G. SHEPPARD^{(1) (3)}
Vice Chairman
Dofasco Inc.
Hamilton, Ontario

DR. CATHERINE WALLACE
Corporate Director
Fredericton, New Brunswick

ALLAN F. WATERS⁽¹⁾
President
CHUM Limited
Toronto, Ontario

L. R. WILSON
President & Chief Executive Officer
Redpath Industries Ltd.
Toronto, Ontario

WILLIAM R. TESCHKE (ex-officio)
Deputy Minister, Department of
Regional Industrial Expansion
Ottawa, Ontario

OFFICERS

PIERRE CÔTÉ
Chairman of the Board

H. ANTHONY HAMPSON
President & Chief Executive Officer

JOHN B. HAGUE
Executive Vice President

GERALD T. MCGOEY
Executive Vice President &
Chief Financial Officer

BRIAN M. KING
Senior Vice President

CLAUDE R. MARCHAND
Senior Vice President & Secretary

JERRY W. BLILEY
Vice President

ROGER E. BROWNELL
Vice President & Treasurer

DENNIS J. GALANGE
Vice President & Controller

NIGEL G. D. GRAY
Vice President & General Counsel

NORMA MICHAEL
Vice President
Operations Analysis

DANIEL P. OWEN
Vice President

(1) Executive Committee

(2) Audit Committee

(3) Communications Committee

